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THE TRIUMPH OF NATIONALIZATION

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THE TRIUMPH OF NATIONALIZATION

By

SIR LEO CHIOZZA MONEY

Author of "Riches and Poverty," "The Future of Work," "Things That Matter," "The Nation's Wealth," Etc.

UNIV. OF CALIFORNIA

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To

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PREFACE

THIS is, amongst other things, the story of a nation which won through the unprecedented economic difficulties of the greatest war of history by methods which it had despised. National organization triumphed in a land where it had been denied. These pages attempt to do justice to the magnitude of labour and daring of conception which were brought to bear upon the serious problems of national and inter-Allied supply.

It is shown that the ancient distrust of national organization was responsible for the untoward economic conditions in which we entered the war. Industries of primary importance had been neglected for the purpose of peace, and were therefore not available for the purposes of war. The serious physical deterioration of the people, revealed as never before by the recruiting returns, is also traced to the denial of scientific organization.

As to the position which obtained at the close of the war, it is argued that the nation possessed, in the imperfect but very valuable national organization which had been achieved for war purposes, a foundation upon which truly to reconstruct industry and society. The policy of dissolving the national synthesis, and of resuming the old untrammelled conditions of disorder, is denounced as amounting not to *reconstruction* but to the destruction of great and fruitful *work*.

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Preface

It is the aim of this work to direct attention to the supreme importance of national or social as distinguished from commercial economy. Its pages will have been written in vain if anything said or cited in them is interpreted as in reproach of individual statesmen. It is a system which is here indicted for the unnecessary losses, sufferings and deprivations which marked the progress of the war. It is true that individuals were in power who by virtue of their offices became exponents of the accepted system; it should be remembered that they faithfully reflected the doctrines which had been embraced by the great majority of the nation. The Triumph of Nationalization in the war was a triumph of common sense and practical work over doctrinaire Individualism. It was the greater triumph because most of those who laboured to achieve it did so despite their cherished convictions.

When, as early in the war as 1915, responsible men of great ability satisfied themselves that we had shot our bolt and could do no more, what was the explanation? How came they to be so utterly wrong? How was it that the nation found itself able to work on and to fight on, not one year or two years, but three years after the summer of 1915? The answer to these questions goes to the root of the issue raised in this volume. Those who thought in 1915 that Britain was near exhaustion were right—upon the supposition that a condition of unorganized "private enterprise" was to continue. They did not conceive the practical possibilities of national organization, even when effected hurriedly and imperfectly in time of war. They were right—if the reign of disorder was ever right. We had in 1915 nearly

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exhausted the powers of the nation as they could be developed and expressed by unco-ordinated, irresponsible agencies pulling many different ways. The true powers of the nation, however, were yet to be realized—by Nationalization.

It is for the nation gravely to consider whether that which in war magnified its strength and furnished it with the means to endure to the end, is not as indispensable in peace if we are to make the most of the powers we possess.

The author made intimate acquaintance with many of the problems with which this volume deals. In the first week of the war he became a member of the Restriction of Enemy Supplies Committee (afterwards merged in the War Trade Advisory Committee), which was charged with the duty of examining the question of the blockade and of advising the Government upon it. In 1915 he was Parliamentary Private Secretary to the Minister of Munitions. He then became Parliamentary Secretary to the Ministry of Shipping, in which office he was Chairman of the Tonnage Priority Committee and of the National Maritime Board, and an ex-officio member of the Shipping Control Committee. When he resigned office in November, 1918, because of the decision of the Coalition Government to break up the national organization and to sell out the State factories, works, ships, shipyards and hardly-won stocks, he had thus seen a great deal of the economic side of the war.

L. C. M.

July, 1920.

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THE TRIUMPH OF NATIONALIZATION

CHAPTER I

WEALTH THE PRODUCT OF IDEAS

§ 1: The Challenge to Progress

DESPITE the gifts of science, civilized life remains a sordid and unseemly struggle, and discontents, holy and unholy, are everywhere apparent. After five generations of the employment of mechanical power we have produced enough of desirable material things to give comfort of a sort to the few and a sense of denial to the many. The main achievement of what we call popular education has been to spread knowledge of enviable satisfactions never to be enjoyed by the majority of those who read of them. If we have not succeeded in creating wealth adequately, we have at least succeeded in producing the illusion that an enormous amount of wealth exists, and, by the flaunting of what wealth there is, we engender its worship. It goes ill with men when an idolatry of wealth is bred in a society which, by its very constitution and disorder, denies fruitfulness to the science by which we might have wealth. The internecine warfare of commerce wastes the labour of the great discoverers—men who, for the most part, have disdained the traffic which abuses their genius. The "enterprise" which has been applied to the work of the inventors has been of such sort that the greater its success the greater its failure. It was written, while yet the age of machinery was young—

> The world is too much with us; late and soon,
> Getting and spending, we lay waste our powers.
> Little we see in Nature that is ours;
> We have given our hearts away, a sordid boon!

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A century later we still lay waste our powers, getting a little in avarice and dishonour where we might get much in co-operation and happiness. The getting is out of strife; the spending is upon the false products of commercialized industry. The struggle might be one between the leagued powers of men on the one hand, and the forces of Nature on the other. We choose rather to squander the greater part of our energies upon misdirected or altogether useless employments arising from the conditions of a mistaken spirit of acquisition. And so we deprive ourselves both of material and of moral satisfactions.

The gift of science was power to overcome poverty. How has the spirit of commerce treated the gift? It has ever regarded the machinery of science as an instrument to create wealth, not for humanity, but for a class of machine-owners. Could the degradation of ideas further go? Men of genius have given the world great inventions, capable of yielding a superabundance of commodities. The wealth-giving powers are laid waste and made the instruments of degradation for the majority. Viewing the resultant misery, unscientific moralists often rail at the machines and their inventors, instead of turning upon the methods of traffic in men and traffic in goods which abuse and frustrate genius.

The ideas of the artist have suffered no less than those of the scientist. Where science has been employed, grudgingly and clumsily, it has usually been to degrade art, in the mistaken commercial conception that Beauty is not Utility. The scientist knows that the beauties of Nature, from the budding of spring to the rime of winter, are expressions of profound utility. The artist knows that to achieve the supremely useful is to accomplish in beauty the end and aim of art. In resigning our industries and our social life to commercial exploitation we have consented to the building of towns the most depressing in Europe. We have abandoned every common activity to private profit-making, and have accustomed ourselves to the larding of conscious ugliness with machine-made ornament. Our great cities lack creative life. We permit the mercenary degradation of such essentially noble trades as that of the builder and of the potter, which conspicuously call for the intimate alliance of

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science and art. Even the nightfall is not allowed mercifully to hide the shapeless masses of masonry which form the background of our city life, for the evening brings the flashing advertisements of drink and tobacco. For the wealth of loveliness which dwells in the glamour of night in a beautiful town we must seek elsewhere than in places where science and artistry are alike despised.

§ 2: The Gift of Great Ideas

Civilization in its material aspect is a contest with Nature, and its price is unremitting warfare upon natural forces. So little is this yet understood in a nation where scientific training is exceptional, that it is not long since a British statesman, holding high office, declared that it was not the fault of Nature if poverty existed in the land. Unfortunately, there is no natural law of abundance or of progress. Nature is lavish in producing a plenitude of new lives; not in providing sustenance for the new lives. Many are born but few survive, for there is no food save for the few. The nesting of the birds, like the blossoming of the tree, is an emblem of the survival of a few lives in a pageant of death.

Of all animated creatures Man alone, himself a part of Nature, rose superior to the order and law of Nature by virtue of intelligence. Nature's dealings with Man are precisely the dealings of Nature with the birds in a wood, of which, while many are born, only enough survive to succeed and replace their parents. Man multiplies, and Nature condemns his children to death just as it condemns to death the children of the thrush or of the nightingale. But Man refuses to let his children die. He opposes to the natural order the laws of that order directed by himself. He opposes the cold with fire; the night with artificial day. He tills the ground and causes a thousand blades of grass to grow where only one grew before. He applied artificial selection to breeding long before Darwin discovered natural selection, and thus imposed his will upon many species of plants and animals.

Thus and thus he not only kept many of his own children alive, but, when it suited him, he restrained the operation of

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the law of death in its application to the young of other animated creatures which he desired to increase for his pleasure or his profit.

So Man multiplied upon the earth, but the process of multiplication was a slow one until the eighteenth century. Nature continued so far to have her way with the offspring of men that, in the old days of big families, a large proportion of the children found their way to the churchyard within a few years of their birth. Then arose the great gift of Power derived from the burning of fuel—the translation, that is, of heat into mechanical energy. This came in the middle of the eighteenth century, the date of James Watts's first steam engine patent being 1769. Nineteen years previously iron had been for the first time smelted with coal fuel. Thus men obtained ample quantities of the most useful metal with which to construct advanced tools, and power with which to drive those tools. The Mechanical Age began, and in a long succession of discoveries and inventions the scientists have placed at our disposal a wealth of Nature-knowledge with which to contest Nature. Man has been given some degree of mastery of his world and some faint knowledge of the universe. The ascent continues—

> Emerged from Nature, Nature's rebel son
> Mounts to his kingdom; it is well begun.

So great has been the endowment of knowledge that, maugre its abuse by ignorant and covetous men, it has not wholly failed in achievement. The wealth of ideas is so magnificent that, despite neglect and frustration, it has increased population and enlarged the fund of material commodities. But the progress of science has been out of all proportion to its commercial employment. In 1869, one hundred years after James Watts's invention of a real steam-engine, coal fuel was still being used prodigally in wasteful contrivances, and philosophers were expressing regret that a century of mechanical power had done nothing to relieve the toil of the common man. Another half-century has elapsed, and still the greater number of our power plants are prodigally wasteful of the chief national treasure. The greatest evidence of the presence of coal in a British city to-day is not wealth, but the filth which is a direct proof of the waste

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of coal. And so disgracefully have our governing powers neglected the education of the people, that there is scarcely one person in a thousand who understands that smoke is evidence of the squandering of a great inheritance.

The scientists themselves view the abuse of their gifts with dismay. Speaking of man's neglect to "accomplish his destiny and escape from misery," Professor Ray Lankester deplores the ignorance in which our people are left in respect of the heritage of knowledge. "The explanation is," he says, "that the masses of the people, in civilized as well as in uncivilized countries, are not yet aware of the situation. When knowledge on this matter reaches, as it inevitably will in time, to the general population, it is certain that the democracy will demand that those who expend the resources of the community, and as Government officials undertake the organization of the national defence and other great public services for the common good, shall put into practice the power of Nature-control which has been gained by mankind, and shall exert every sinew to obtain more. To effect this, the democracy will demand that those who carry on public affairs shall not be persons solely acquainted with the elegant fancies and stories of past ages, but shall be trained in the acquisition of natural knowledge and keenly active in the skilful application of Nature-control to the development of the well-being of the community." [1]

And thus also Professor Frederick Soddy, to whose brilliant investigations of radio-activity we owe so much. "The uses already made of science," says Professor Soddy, "show how necessary it is that a new social order be developed before a million times more awful powers are unleashed by man. So far the pearls of science have been cast before those who have given us in return the desolation of scientific warfare and the almost equal desolation of unscientific government. In the world that is to come the control of financiers, lawyers, politicians, and the merely possessive or acquisitive must give place to a system in which the creative elements must rule. . . . Common ownership of the acquisitions of science is the only path of progress." [2]

[1] "The Kingdom of Man," p. 47.

[2] Professor Frederick Soddy in the *Daily Herald*, January 30, 1920.

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In one direction, and in one alone, the scientist was given fair opportunity in our country before the war, and that was in the building of battleships. The modern battleship is a complex, devilishly clever combination of inventions which fills the mind of unregenerate man with enthusiasm. The ingenuity of the thousand and one devices for smashing up an enemy while taking as much care as possible of oneself which goes to the making of a super-Dreadnought is at least a tribute to the genius of men, if not to their most generous attributes. Considered merely as a gigantic machine, the modern warship is a mighty monument to the degree of control of natural forces which is now at our disposal. To which part shall we award the palm of ingenuity? There is the turret, the independent revolving fort which can continue in action although all the other similar forts in the ship have been disabled, with its majestic guns which can launch to any point of the compass for six or even ten miles an enormous projectile capable of wreaking tremendous damage, and which is yet under such facile control that a tyro could probably make a better shot with one of its twelve-inch guns than he could with a revolver. But the turret and its contents must give pride of place to the modern torpedo, that extraordinary weapon which not only contains its own driving mechanism to take it to its objective, but cunning devices which prevent it from turning either to the right or to the left, or from sinking or rising in the water, a hair's breadth out of its appointed course.

Let us contrast this picture of scientific efficiency with another department of the art of construction—that which is concerned with the building of houses. The houses of the people have been deliberately constructed out of second-rate materials. Rarely or never do we find them built with any regard to the position of the sun. They are universally fitted with inefficient appliances, which waste alike the income of the occupiers and the work of the women who slave at household duties within them. Almost the whole of our houses lack the devices which have been invented to diminish household labour and to promote domestic economy. The fittings and stoves are the cheapest rubbish; the kitchen range is an unintelligent lump of cast iron. Finally, the structure is as

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ugly as it is comfortless. And that is to speak of the houses when newly built. As for the majority of our houses, a long continued process of inadequate repair has made them fit only for the scrap-heap.

This contrast of the deadly efficiency of a battleship with the still more deadly inefficiency of a dwelling-house is a faithful illustration of the use and abuse of knowledge which is implicit in our society. The cunning battleship floats magnificent while the average British householder lives in an ugly and clumsy construction unworthy of human ingenuity because, while the building of battleships is regarded as a thing of national importance, the building of houses is left to the play of the lowest of all human motives.

No greed of the scientist has been responsible for the melancholy misuse of his genius. It is not only true that the greatest minds have disdained commercial methods, but that the legislature has always denied property in ideas.

§ 3: No Property in Ideas

Our law, in common with that of other countries, denies property in ideas, even when they are of a sort which can be reduced to specification. Here are the important parts of the sections of the Patents Act of 1907, which deal with the duration of a patent of monopoly:

Section 17 (1).—The term limited in every patent for the duration thereof shall . . . be fourteen years from its date.

Section 18 (5).—If it appears to the Court that the patentee has been inadequately remunerated by his patent, the Court may, by order, extend the term of the patent for a further term not exceeding seven or, in exceptional cases, fourteen years.

In the ordinary case, that is, a patentee is given property in his invention for the exceedingly short term of fourteen years. At this moment most of the great inventions are unprotected by patents. Their inventors have long since passed away, and in few cases, it may be added, have they founded

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fortunes. Even as to the great inventors now living, most of their ideas are no longer protected by monopoly. For example, one of the chief patents of Marconi expired in the year the war began. In any case it is clear that almost every existing invention, important or unimportant, is either public property at this moment or will become so within fourteen years from this time. The mass of ideas at the disposal of industry is now so great and so valuable, that if invention came to an end we should possess a heritage of knowledge sufficient to abolish poverty.

It is equally clear that the object of the Patent Law has not been secured. The inventions have not been used in such fashion as to produce a harvest of wealth sufficient to maintain the majority of our people in comfort. We possess the ideas, not only of British inventors, but of those of the men of all races, living and dead. We signally fail to employ them, and our failure is so great that there is no man amongst us who is not poor. It is true that a so-called rich man may cut himself off from his kind in some beautiful estate, and by that means endeavour to forget the conditions of life of the majority; by no other means can he escape from the universal poverty. If he emerges from his seclusion, if it is only to travel to the terminus of any railway, he will find it impossible not to share in the disorder and discomfort of the common life. The chief streets of the capital are flanked by purlieus of degradation and squalour. The Houses of Parliament themselves are set hard by the slums of Lambeth, where every prospect is vile.

Death brings all estates to examination sooner or later, and we know by the official records that nearly all our people die without property worth taxing. It is for the most part a propertyless people in a country where there is no property in ideas. What, then, has happened to the ideas? The scientists have established the command of power in Britain, which is one of the few countries favoured with a great coal supply. It has been discovered how to transmute coal energy into mechanical energy, mechanical energy into electricity, and electricity again into mechanical power, or heat, or light. We can move with ease great masses of material by road or rail or water. We have machines in countless variety with

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which to work upon wood and metals and fibres. What, then, have we lacked that, possessing so many ideas, we have failed to produce enough wealth for our people?

The answer is that the nation's magnificent stock of working ideas, with which it has been freely dowered by all the world's genius, has not been worked in the public interest. From the beginning of power in the middle of the eighteenth century the exploitation of ideas has been, not carelessly, but quite deliberately, and as a matter of principle, resigned to what is called "private enterprise," which, in effect, means to the pursuit of individual gain. If individuals arose among us who thought that they saw in any particular invention a means to make money, we were content. We were equally content if they did nothing. Indeed, there were always plenty of people who were prepared to prove that if nobody did anything it was the best possible thing that could happen; for, whatever happened as an expression of private enterprise, whether something or nothing, was necessarily right, and the best possible result that could be attained or hoped for.

So it was that when the war broke out we discovered that we lacked altogether, or possessed in some quite rudimentary and inadequate form, industries of vital importance concerned with the exploitation of great ideas which had been conceived sometimes in our own and sometimes in foreign countries, but which had not attracted the attention of the intelligent investors.

In the four years before the war commenced, British investors had invested about £600,000,000 in places abroad, even while at home a thousand fruitful opportunities were neglected. It mattered nothing in our accepted view of the national economy. It happened; it was right because it happened. We did not interfere; it was not good to interfere. The Government did nothing; it was the duty of Government to do nothing. We even looked on undismayed while British capital set up armament works on the Continent of Europe in countries allied to a nation against whose Naval Law we were feverishly building a larger Navy. So war came, and British ships were sunk in the Mediterranean by machines which British capital had helped to create; the tor-

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pedoes of Fiume sent our sailors to the bottom of the Mediterranean while our Government borrowed money to set up national works to produce chemicals which the intelligent investor had despised.

§ 4: Fate of a Great Idea

What we have lost through the abuse of great ideas may be illustrated by that invention of which, perhaps, the nation has the most right to be proud—the railway.

The development of railways in the United Kingdom was abandoned to individuals in pursuit of gain, with the almost universal approval of the economists of commercialism. The genius of the engineers became the prey of the profiteer. The early history of our railways is of fierce struggles between landlords and promoters, not to utilize a great idea to the best advantage of the people, but to make quick gains. The landlords saw in the invention, not the means to promote public welfare, but the power to bleed capitalists in outrageous prices for land. One landowner received £120,000 as the price of withdrawing his opposition to a Railway Bill; this sum, of course, is still written as "capital" in the railway books and still bears interest. The London and Brighton Railway paid £8,000 a mile for its land. The railway speculators fought in our Parliament for control of "fat" routes; the parliamentary costs of the London and Brighton line came to £3,000 a mile. These things were "economic" in the sense in which the word is used by the commercial economists; they were perfect and from one point of view most admirable expressions of the "enterprise" which then as now frustrates the scientist. The greater the success of the "enterprise" the greater the national failure. There was no national economy to call for the development of railways in the public interest—railways which should run in routes chosen scientifically to create an ideal transport system.

So to-day, in 1920, nearly one hundred years after Stephenson built his "Rocket," British railways are an inconvenience to rich and poor alike. The super-tax payer no

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more than the workman has power to join together the deliberate and calculated disconnections. To cross England is a matter of the greatest difficulty. The railway servants themselves cannot help us, because those of one line know nothing about the strange doings of other lines. To travel from Norfolk to Wales, or from Wales to Essex, is to make one wonder how goods, which have no power of consulting Bradshaw, ever get to their destinations. Even in a single county, as, for example, in Surrey, it is often exceedingly difficult to transfer commodities from one locality to another by railway. I find in every district of the country that the people are convinced that they have the worst existing local railway, and it is hardly Hibernian to say that in each district they are right who thus think, for our local railways considered as a whole are so extremely bad that it is difficult to present the palm of incompetence.

Porter, in his "Progress of the Nation," writing in 1847, only eighteen years after the "Rocket," pointed out that Belgium, pursuing a national economic policy, was enjoying much lower railway charges than obtained here (a penny a mile first class), and remarked: "It is more than probable that if the Belgian railways had been constructed by means of private capitalists, the rate of fares would have been much higher than those adopted by the Belgian Government, which has been contented for a time to draw its profit indirectly from the general impetus which so greatly improved a system of transport could not fail to give to the business of the country, rather than from an immediately remunerative rate of fares."

The Belgian advantage remains to our own day. The railway, invented by British genius, yields better fruit to Belgium (and to Germany) than to the land of its birth.

Some people imagine that our railways suffered because we were pioneers. As a matter of fact, George Stephenson pioneered on the Continent as well as here. The true cause of our railway troubles was well stated by Porter, who went straight to the heart of the matter: "The *laisses faire* system, which is pursued in this country to such an extent that it has become an axiom with the Government to undertake nothing and to interfere with nothing which can be

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accomplished by individual enterprise, or by the associated means of private parties, has been pregnant with great loss and inconvenience to the country in carrying forward the railway system.'"[1]

Gladstone, like Porter, saw very clearly that foreign countries, even in those early days, were gaining more by British genius than Britain herself. In 1844, in moving the Second Reading of his Railway Bill, which bestowed upon the State power to buy out the railways—a power which it still possesses—pointed this out to Parliament, and added: "I believe that the charges on the Belgian railways are not more than one-third of our charges. . . . Because this country is rich it is no sound reason why it should pay the railway companies more than necessary, or that cheap travelling should not be provided for the public. But there is no likelihood that the great experiment of the greatest possible cheapness to the public will be tried under the present system." There were railway directors in Parliament in 1844, as in 1920, and the chief opponent of the Bill was a Mr. Russell, the chairman of the Great Western, who, said Mr. Gladstone, "adopted a very high tone," and offered the public, "Oh, trust to competition!" as a consolation. "I would no more trust the railway proprietors on railway matters," went on Mr. Gladstone, "than I would Gracchus speaking of sedition!" And he proceeded to divert the House of Commons by a story of how two railways had first quarrelled over competitive lines, but had since become "like lovers—*breves inimicitiæ, amicitiæ sempiternæ.*" Seventy-six years have passed, and a Transport Minister is gravely considering a railway policy—*ars longa, vita brevis.*

The railway thus neatly illustrates the general case of the relation of science to commercial economy. Brilliant discoveries and inventions are debased by commercialism, which regards the scientist, if at all, as a tool for individual gain. The inventors, British and foreign, live and die, and their ideas become public property; but there is no public authority charged with the duty of using knowledge for the common good. The commercial economists either neglect the issue

[1] "Progress of the Nation," 1847 edition, p. 336. The passage is not to be found in the new edition published in 1912.

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altogether[1] or pin their faith to the scramble for gain which gave us, amongst other things, our inconvenient and wasteful railways.

§ 5: The Relation of Capital to Ideas

Ideas, the true source of wealth, have been thus misused and frustrated by a system which has never sought to apply them to the public good. Bad as is the case of railway exploitation, it is superlatively good when compared with that of the majority of our industries. In the past our traders have again and again complained of railway inefficiency and railway exactions, but they have forgotten, in doing so, that the railway carries on a business far more economic than their own. The nature of the railway is such that it technically compels a certain degree of efficiency. It is so obviously stupid to run competitive railway tracks side by side that, although this absurdity is actually to be seen in some parts of the country, it is only fair to say that it does not generally occur. How different the case with industry in general, in which parallel tracks are the commonplaces of working. Our railways, uneconomic as they are, constitute a model of efficiency when compared with ordinary industries, in which individuals are free to multiply useless offices and services. It is, of course, exceedingly amusing to see such a case as the two termini at Victoria, London, where the London, Brighton and South Coast Railway touches but does not join the South Eastern and Chatham Railway; but this particular stupidity is a shining example of efficiency when compared with the wasteful intricacies of commerce in general.

Unfortunately economics has never sufficiently studied the

[1] One of the few economists who have made more than passing reference to the relation of wealth to ideas is Professor Charles Gide, of Paris University, who, in his brilliant treatise on "Political Economy," classifies Invention as one of three branches of Labour—Manual Labour, the Labour of Invention, and the Labour of Supervision. But this is not very satisfactory, for neither the hardest work nor the best supervision can produce an article or service or value unless exerted upon a fruitful idea. Invention is the prime factor in wealth production, and it is much more than that. It is the distinguishing characteristic of Man, which enabled him to defy and to master the Nature from which he emerged.

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relation of capital to ideas. A great deal has been written about the "reproductiveness of capital," as though a mere collection of inert matter could have any value apart from the ideas which it embodies. Capital is productive, it is said, and the saying is in direct conflict with the verities of physical science.[1] Research in physics might indeed be spared if it were true that as soon as a quantity of inorganic objects was accumulated it began to breed. As Professor Soddy has said: "I defy anyone to find in Nature a process for the spontaneous increment of wealth to offset the human convention of the spontaneous increment of debt at compound interest."[2] It would indeed be far more wonderful than radium itself if chairs or tables or locomotive engines reproduced themselves, and, unfortunately, neither Professor Soddy nor any other scientist can hold out any hope that they will ever do so.

Wealth is the product of ideas. Invention alone enabled Man to avoid the effects of, or to master, natural law. It is not the inert machine, but the clever invention which it embodies, which is the reproductive factor. It is not the cost of the machine—the amount of money sunk in it—but the genius of man wedded to the labour of man which gives the product of the machine.

But the scientific truth about capital goes further still, and it may be briefly stated thus:

Capital, which consists of a store of commodities at any given moment of time, produces not interest or increase but decay, the decayed capital consisting of exactly the same amount of matter, but assuming different forms.

Thus a locomotive is built, and represents a portion of

[1] Note, however, that Professor Taussig, of Harvard University, after referring to the superior economy of one form of capital, a railway, as compared with another form of capital, horse transport, says:

"This consequence has sometimes been stated by saying that capital is productive; a phrase which must be used with care. The strictly accurate statement is that labour applied in some ways is more productive than labour applied in other ways. Tools and machinery, buildings and materials, are themselves made by labour, and represent an intermediate stage in the application of labour. Capital as such is not an independent factor in production, and there is no separate productiveness of capital. When, in the following pages, the productivity of capital is spoken of, the language must be taken as elliptic, expressing concisely the result of the capitalistic application of labour."

[2] Letter published in the *Times*, May 25, 1920.

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capital stock. Leave it to Nature, and it rapidly decays. Nature sets no more store by steel than by oxide of iron. It does not really disappear, and its matter neither decreases nor increases; chemical action translates the machine into different forms of matter. Such translation can only be prevented by exerting continual labour upon the machine, and no matter how much labour is expended upon it, its efficiency greatly diminishes in use. The work done by the machine during its repaired existence may be much or little, but whatever it is it is due to the line of inventors who, from Watt to Stephenson, gave the world the idea or combination of ideas which we call a locomotive. If anyone at all should be kept in idleness because we possess this idea or combination of ideas, it should surely be the descendants of the inventors, not the descendants or heirs of persons who, ninety years ago, lent money to a railway promoter to be paid to a lawyer to fight a landlord.

Or take that part of railway capital originally subscribed which went to buy the metal track. The rails within a few years were worn out and scrapped; nevertheless, the ghosts of those departed rails still figure on stock certificates as part of the existing capital of the railway, and early in 1920 the railways were said to be running at a "loss" because the Government had guaranteed on behalf of the nation to pay interest in respect of commodities which as commodities long ago disappeared from the face of the earth.

Thus throughout our society vanished capital demands its toll in defiance of scientific law. Despite this, as we have seen, we deny to the surviving wife of a great inventor, however poor she may be, or to the grandson of a great writer, however glorious his work may have been, any profit out of the fructification of his genius. Thus we declare the dead to be living and the living to be dead. Let us not be surprised, then, if the modern scientist derides the pseudo-science of commercial economics.

Obligation rests upon a community to honour the promissory notes of a discarded system, and it is not suggested here that some innocent modern should be expropriated without compensation in respect of a form of property indefensible on both moral and scientific grounds. It is not for an intelligent

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community, however, to perpetuate folly, and to look on unmoved while new obligations are being fabricated.[1] As we shall see presently, British ships sunk by the Germans are "earning" larger profits at the bottom of the sea than ever they did while afloat.

It is the conception of the present argument that ideas should be used by the community co-operatively on behalf of the community, and not merely for the benefit of such people as care to put up funds, adequately or inadequately, to build the machines or factories necessary for the working of the ideas. It is the conception of a nation employing science in the interests of the community at large, so that the people would no longer have to look to private capitalists as the givers or withholders of employment. The capital used would live its appointed term and die its natural death, just as happens to the capital used in connection with the Post Office. It would not, save in an interim period of regard for the existing owners of capital, bear interest, and would not therefore sustain any part of the community in wasteful and injurious idleness. Ideas, however, would flourish as never before, and their cultivation would mean a nobler life and an adequate equipment of personal property for the whole community. No great inventive power was required to discover that one man possessing money could take advantage of another who lacked it. While the individual is powerless to protect himself from greed, however, a nation can make itself at once independent of usury and master of the powers of production.

[1] See page 157.

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CHAPTER II

WHY POVERTY REMAINS

§ 1 : Two Thousand Million Workers

IF we use money counters to measure our material production we get an extraordinarily poor result. The Census of Production of 1907 showed that the value, at points of production, of all the material goods produced for home and export, from coal to the worst rubbish made for sale to the poor, and including the value of all imported raw and manufactured materials embodied in them, was no more than £1,469,000,000, made up of

Products of	*Million £*
Mines and Quarries	120
Manufactures	642
Agriculture	210
Fisheries	12
Add for Imported Materials, etc.	485
	1,469

In 1920 the money value of our product is, of course, larger, but the product itself is, if anything, smaller. It is obviously inadequate for 47,000,000 people. Our Acquisitive Society, as Mr. Tawney has called it, has failed in production in the light of the powers which it possesses. It is all very well to compare the product of any manufacturing industry in 1920, or, if we will, in 1913, with its output in the eighteenth century, but such a method ignores the magnification of power in the interim. We must measure modern production in relation to the possibilities of the existing case.

It was not without reason that John Stuart Mill wrote fifty years ago: "It is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being," and with slight emendations we can truly repeat these words in 1920. Mill knew of many inventions,

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and we know of many more, but still the mass of our people is subjected to unnecessary toil. To-day man-power has been potentially multiplied a thousand-fold. To name only one instance out of many that might be given, a modern cotton-spinning machine, tended by one man and two boys, can do as much work as 4,000 spinners could do in 1750. It is true that in many trades a man, with the aid of power, can do much more than a thousand times the work he could have done 150 years ago.

Let us think what this magnification of power means in relation to the working force of our population. In 1750 the population of the United Kingdom was about 10,500,000, and perhaps included about 4,500,000 breadwinners. In 1920 our population is about 47,000,000, and includes about 20,000,000 persons working for gain.

If we take it that the 20,000,000 workers have had their potential powers of production multiplied by science in the last 150 years, not 1,000 times, but only 100 times, their working power has become that of 2,000,000,000 persons of the conditions of 1750.

To put it another way, the 10,500,000 people of 1750 had 4,500,000 workers, whereas the 47,000,000 of 1920 have, in potential effect, 2,000,000,000 workers.

If we consider the achievements of the inventors we realize that this estimate is by no means an extravagant one. I have drawn a striking comparison from the cotton trade, but I might go on to compare railway transport with pack-horses and wagons; or the steamship with the sailing vessel; or the mechanical tractor with the horse-plough; or the modern printing press with its ancient prototype; or the steam hammer with the hand forge. To multiply by one hundred to express the increase in the working power of our existing population as compared with that which obtained in 1750, is to minimize the value of the gifts of science if properly used.

We may then confidently say that, upon a very moderate computation, we have in this country in 1920, in possible effect, 2,000,000,000 people of the power of 1750 working for 47,000,000 people. Our working power is not less, but far greater than our needs. We have the means to contest the forces of Nature in such sort that conditions of grinding work

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or of poverty are a reproach to the use which we make of acquired knowledge.

The under-production of our 47,000,000 people arises from many causes, all of which operate to frustrate science. The most important of these are:

(1) The divorce from production of an increasing proportion of workers.
(2) The poor technical equipment of many producers.
(3) The defective organization of producers.
(4) The waste of work in competition.
(5) The production of rubbish.
(6) The production of luxuries.
(7) Physical deterioration, and
(8) The lack of scientific education.

Let us consider these in their order.

§ 2: The Divorce from Production of an Increasing Proportion of Workers

The increasing devotion of work to non-productive pursuits has proceeded *pari passu* with the development of Capitalism. The beginnings of Industrialism in the eighteenth century saw the employer furnished with an abundant supply of labour, recruited from agriculture, content to take a small advance upon the poor agricultural rate of pay. The conditions of life of the peasantry were so bad that the passage to underpaid industrial work appeared in the light, comparatively, of a great gain. So the low wage system began and prevailed here, as in other parts of Europe, until the outbreak of the Great War. The introduction of machinery into agriculture released an increasing number of workers for industrial pursuits, who crowded into the towns. These were bad conditions but, bad as they were, they nevertheless increased the wealth of the country, and the population grew as never before. The inventors were, in effect, enabling people to keep their children alive where before they perished. If, happily, there had been scientific control of the industries, and of the urban areas which housed

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the increasing population, we should have had efficient factories and healthy towns. As things were, no organization of work was attempted, and the Industrial Revolution witnessed the growth of competitive units of capital, for the most part utterly indifferent to the welfare of their workers.

As the employers accumulated profits they called into their personal service a considerable number of workers, and, by their expenditure on luxuries, established trades which absorbed an increasing part of the working population.[1] Further, the unnecessary complications of individualist industry surrounded each productive trade as it grew with a fringe of non-productive agents, wholesale and retail middlemen, accountants, lawyers, advertising agents and insurance men. These, in their turn, became considerable employers of labour diverted from production. Thus an increasing proportion of the community became non-producing. The growth of invention and the increased use of machinery, in the given conditions, thus largely became a process of self-stultification, the practical use of inventions being relegated to a decreasing proportion of the community, while an ever-growing army of non-producers came to be supported by the decreasing proportion of producers. If, therefore, we were to re-write to-day John Stuart Mill's dictum already quoted, we should say: "It is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being engaged in useful industry; it is, however, unquestionable that the extended use of mechanical inventions has enabled millions of people to exist without producing, and to follow economically useless occupations, while their material maintenance is supplied by the over-working of the producers."

So far has been carried this process of living upon the productive work of a limited section of the population that one can point to towns and areas which consist almost entirely of non-producers. Thus, if we take the case of London, the London County Council area has a population of over 4,500,000, but it contains only about 400,000 manual workers. These manual workers in their turn are, on analysis, found

[1] For a full discussion of the profound reaction of the ill-distribution of wealth upon production see my "Riches and Poverty."

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very largely to consist of mere luxury providers, jobbing for non-producers. For the greater part, London consists of a mass of officials (most of them the officials of capitalism), middlemen, commercial agents, brokers, merchants, insurance agents, travellers, shop-keepers, clerks, and altogether unoccupied persons. So, also, we could point to districts near London which are entirely populated by non-producers and by persons who live by reason of the expenditure of the non-producers. Square miles of streets in our great towns are occupied by non-producers, some of them in commercial palaces as the officials of great companies, and others in obscure offices on the fourth, fifth, or sixth floors of obsolete, inconvenient, and uneconomic buildings.

If we reduce the thing to figures with the aid of the Census, we find that the Census of Production of 1907 revealed that the United Kingdom, which then had a population of 44,000,000, contained no more than 10,500,000 direct producers of material commodities. If we make allowance for the other really productive industries, such as transport and the productive professions, we see clearly that millions of unfortunate persons are condemned, through the lack of national organization of work, to tasks which contribute little or nothing to the national welfare. It should be understood that the figure 10,500,000 was inclusive of all the men, women, boys and girls engaged in productive employment, including farmers and all agricultural workers.

If we take industrial employment only, in 1907 *the number of men, women, boys and girls employed, including salaried persons, was only* 7,000,000. *Of this* 7,000,000 *only* 4,250,000 *were males aged eighteen and over, and one-fourth of them were engaged in mining.*

It should be observed that, in hundreds of thousands of cases, men in 1920, so far from gaining in their work by the inventions of one hundred and fifty years, have become degraded in comparison with the position enjoyed by their predecessors of 1750. Thus, if we consider the familiar case of an able-bodied door-opener to a West End shop or restaurant, we see that so far from producing, with the aid of science, one thousand or one hundred times as much as a man of the eighteenth century, he produces nothing, whereas

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the common man of 1750 was at least a producer of some sort.

I shall have occasion to return to this very important question of the unnecessary trades and the work wasted in them. I hope I have said enough here to show how profound is the effect of the divorce of work from fruitful production. Science presents us with some method of saving labour. Instead of using that method to multiply the products of work, we use it in large part to reduce the number of producers, so that the servants of science become fewer as science advances. Science is thus made to cut its own throat.

§ 3: The Poor Technical Equipment of Many Producers

It is unfortunately true that only the minority of our minority of industrial workers has the good fortune to work with the best appliances known to science. The majority of our existing industrial establishments are not properly fitted for the work they have to do. It is the exception to see a thoroughly up-to-date industrial organization equipped with the best machinery known, using power economically, and furnishing its workpeople with decent comfort in their work.

As to power, the verdict was written by the Report of the Royal Commission on Coal Supplies (1905) when it pointed out that, taking our power users as a whole, they used five pounds of coal where they ought only to use two. As to our 3,000 coal mines, it is doubtful whether as many as one-third could be considered abreast of the times in point of equipment or appliances. Here is an extract from the proceedings of the Coal Commission of 1919. Mr. Mottram, Inspector of Mines for the South Yorkshire District, was under examination, and the following passages are from the official report of the evidence:

"Question 2435. Taking your district, will you kindly tell us what is the proportion of what I may call modern up-to-date plants; where you have got up-to-date and efficient winding machines; where you have got a shaft of considerable capacity; and where you have got a cage which will hold a considerable number of men admitting of rapid winding?

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"Answer. Probably about one-third.

"Question 2450. May I put it to you further that if you had a unified control of the mines of this country you could have all these mines easily brought up-to-date out of the general pool of profit?

"Answer. I suppose you could if the money were forthcoming. The work could be done provided you have men to do the work."

The Government has been moved to hold an inquiry into the flooding of the South Staffordshire coalfield, which has robbed the nation of much valuable coal. Unfortunately the public has had little or no opportunity to read of the matter, which is of grave importance. Extraordinary evidence was given at Birmingham as to the methods of the colliery proprietors. The Chairman of the Tipton Urban District Council, Mr. W. W. Doughty, testified that mining in his area had been "played with by small proprietors." A man, he said, had first found coal, mined it without regard to the damage he was doing, made his thousands, and then closed the mine. "We never see him again. He just goes home to enjoy what he has got, and the local authority is left to repair the damage he has done at the public expense." Another witness told how a coalowner re-opened some old workings within 300 yards of Oldbury Market Place, with the result that twenty-one houses subsided and 150 persons were rendered homeless. This private outrage on the public cost the ratepayers £21,000.

Our factories pay as little honour to scientific progress as our mines. I should like to forget many of the industrial establishments I have visited. Our factories and workshops too often match the slums in which they are embedded in our industrial towns. In too many cases the machinery installed is out of date, and only fit for the scrap-heap. Here is an extract from a letter written during the war by a highly skilled workman of my acquaintance:

"Glib paragraphs about reconstruction and increase of output both annoy and at the same time amuse me, especially when I look round our firm. The department here has been under water all this week; the cost of a proper building could be paid out of the money spent in wages to men who can do

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practically nothing owing to the conditions of the place. There is one little grindstone for several hundred men; some have to come about half-an-hour's walk to use it to grind a few tools—cost about two hours' pay. One small circular saw, constantly out of order, and worn out as an efficient machine years ago, supplies about 1,000 men. Result, days wasted waiting for stuff to be cut. The machinery is on the same level. All this is at one of the greatest —— firms in England."

This criticism refers to a firm regarded as a *leading concern* in its particular trade. The Ministry of Munitions, when it took over industrial establishments, was frequently confronted with difficulties which arose out of such imperfections of equipment.

Even our luxury trades are often very badly equipped. Our only metropolitan Opera House, where foreign tenors draw great incomes from a rich audience, is set amidst petty shops and stalls. Ladies who have paid 12s. for a seat in what is really the top gallery are offered as a cloakroom a tiny place which can only be reached by passing through a sorry drinking bar. The Derby is run on a racecourse which is in such bad condition that the special racing correspondent of the London *Evening Standard* denounced it, after the "classic" race of 1920, as a "positive danger"—a track so bad that "racing should not be allowed on it."

§ 4: The Defective Organization of Producers

The business organization of productive units is often as faulty as the machinery. Until reform was forced upon controlled establishments by the Ministry of Munitions in the war, scientific costing was almost unknown in our industries. The use of reasonable business appliances in the offices of productive works has been tabooed until late years, and even yet has made little headway. Such things as forms, good files and card indexes have been regarded as fads unworthy of really "practical" men and savouring of red tape. There are, fortunately, some signs of improvement in these respects; the growth of the big trust has sometimes brought about

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striking changes for the better in business organization. In some branches of industry, however, scarcely a beginning has been made in scientific business management.

To name one industry out of many which might be called in evidence, it was put in before the Departmental Committee on Agricultural Machinery (1919) by Mr. H. B. C. Anderson that, "the shop organization of the manufacturers, at any rate in some instances, left room for improvement; so did their costings methods. In the case of one firm there was no works manager; another firm had no costs office." Another witness, Mr. F. S. Courtney, the consulting engineer of the Royal Agricultural Society, said there were over 1,000 types of plough in this country! A dealer witness characteristically pleaded for more little factories "from the point of view of labour troubles," as a scientific contribution to industrial efficiency.

Even the motor-car industry, despite the special stimulus of a rich market, covers a multitude of inefficiencies. It did so little before the war to serve useful trades that everywhere on our country roads we met American delivery vans made by mass production. As to the pleasure car trade, bad designing is exceedingly common. It was not of a Government Telephone Department, but of private enterprise applied to motor engineering, that an expert writer recently observed: "The exasperated owner sometimes wonders whether some cars were designed by lunatics or merely bargemen. . . . Probably an explanation of the obvious stupidities so often met with lies in the fact that the average British firm will not pay for specialist knowledge. In some factories, and these not the most insignificant, the designers are men who have never actually handled a car on the road—it is hard to believe, but it is true. Also, on the pay-sheet they rank as something better than the lodgekeeper but a little lower than a junior charge-hand." [1]

The fact is that private enterprise gives far more attention to the commercial advertising of inferior goods than to technical efficiency. This may be well illustrated by an advertisement inserted by a "large motor-car company" in the London *Times* of July 26, 1920, which ran as follows:

[1] The London *Evening Standard*, July 2, 1920.

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"WANTED, A LIVE ADVERTISING MANAGER: Large Motor-Car Company requires Advertising Manager of proved ability; man of sound ideas, who knows his job thoroughly and can produce his results for advertising in all its forms. Must be able to handle all copy and publicity matters; motor experience helpful, not essential. Position offers real opportunity; good salary and splendid chance of advancement. Reply, giving details of career and enclosing specimens of work, to Box ——, *The Times.*"

Here we see a great manufacturing firm endeavouring to find a lively person to push its goods. He is to know his job thoroughly—that job being the production of "results." But the thorough knowledge of his job, it is specifically stated, *need not* include "motor experience." The public does not realize that the majority of the clever advertisements which it sees are written by men who know nothing whatever about the real qualities of the goods which they push. Thus despicable occupations are made for men who can handle words cleverly, and forests are cut down every year to furnish material upon which to print the "work" of "advertising experts" who know nothing whatever as to the truth or falsity of the statements which they make. Thus, also, the work of clever artists is prostituted.

§ 5: The Waste of Work in Competition

The waste of competition not only adds to the army of non-producers, since each competitive agent requires his own special staff of clerks and representatives, but squanders much of the inadequate product of the useful trades. A very large part of the output of the printing trade, for instance, becomes not consumers' income, but the raw material of competition. Mountains of books, catalogues, price lists, invoice forms, receipt forms, competitive advertisements, etc., are produced for no purpose but to sustain unnecessary competitive units of industry.

In a nation of some ten million families, an insignificant proportion of which possesses any considerable number

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of good or useful books, the fine art of the printer is mainly employed as the wasteful machinery of competition. At the Census of Production of 1907 the factory selling value (without costs of distribution) of the paper, printing, and allied trades of the United Kingdom was shown to be as much as £61,000,000; a very small fraction of this was spent on literature. We spend more good printers' work on pill advertisements than on the whole flight of first rank authors, ancient and modern. We sometimes hear the Government of the day reproached for wasting money on printing; in this, as in so many other matters, if all that the Government spent was waste, it would be a bagatelle compared with the aggregate waste incurred by the nation as a whole through the strange operations of capitalism. The bookless majority of homes of the United Kingdom form a striking contrast to the output of £61,000,000 in the printing trades—say, £100,000,000 at consumers' pre-war prices. To think that so much printing fails to give our schools and our people an ample supply of good books.

§ 6: The Production of Rubbish

Science and invention are too often mocked by the employment of machines and processes of brilliant conception to produce rubbish goods—goods known to be and intended to be rubbish by those who make them. There is no doubt that the making of rubbish is the greatest British industry, for every department of work contributes to it. The production of trash is a national misfortune which wastes work, because the rubbish product quickly becomes useless. Examination of the shops of poor and middling-poor neighbourhoods reveals an almost universal collection of rubbish. The furniture dealer; the china and glass merchant; the ironmonger; the musical instrument merchant; all alike are stocked with trash. It is shameful that so much ugly rubbish should be devised for the consumption of the people, and it is impossible to survey many of the exhibits without feeling hotly indignant that power, machinery, material and labour

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should be so degraded, and that workers should be employed to use clever machinery to squander the substance of their fellows.

It is unfortunately true that the production of rubbish has increased since the war. The cessation of Continental competition in hardware, pianofortes, toys, earthenware, glass, etc., has enabled the commercial spirit to foist inferior productions upon the public. Never before were so many rubbish pianofortes on sale—and at exorbitant prices.

§ 7: The Production of Luxuries

Hand in hand with the production of rubbish goods for the poor goes the output of luxuries for the rich. The spirit of our society is such that the manufacturer and the middleman alike bend their energies to the service of the well-to-do. Six months[1] before the war, when we were implored to save ourselves from imminent ruin by cutting down the Naval Estimates, I ventured to point out that, while the maintenance of the Navy in 1913 cost £31,000,000, the rich people of our country were spending £45,000,000 a year on the maintenance of pleasure motor-cars. Including motor cycles (the smaller part of the whole), new cars, spares, accessories, and running expenses, it was calculated by an expert, in *The Times* of February 3, 1914, that the expenditure upon pleasure motoring in the year the war broke out would reach £74,000,000. This figure may be compared with £52,000,000, which was the total pre-war expenditure on the Navy, including pensions. At the present time the expenditure on pleasure motoring must approach £200,000,000 per annum, a figure which may be usefully compared with the £123,000,000 which stands in the Civil Service Estimates for 1920 as the total cost of soldiers' pensions, including administration. Reference to the London Directory for 1920 shows that there are as many as 363 motor-car shops in the metropolis alone. Many of them are large showrooms, and a

[1] *Daily Chronicle*, January 2, 1914. *Westminster Gazette*, January 3, 1914, etc.

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little army of immaculately dressed salesmen and others is employed in and about them.[1]

It must be borne in mind, however, that a very great part of luxurious expenditure is concerned not with the conjuring up of material luxury goods, such as motor-cars, or fine houses, or splendid furniture, or extravagant dresses, or hot-house fruit, but with the command of men and women to perform luxurious services. The production of luxury goods divorces labour and capital from the trades of necessity. As has been well said by Mr. Hartley Withers: "If these millions were not spent on motoring or on any other form of luxury, they would be saved and invested either directly by their owners or by the bankers to whom they were entrusted. By being invested they would be put into the hands of some private adventurer or public company to work or extend some industry, or into the hands of some public body to carry out some public work."

There is no clear distinction between luxury goods and necessaries, between luxury workers and workers at necessary trades. Coal may serve as industrial fuel or as the motive power of a luxury trade. A great part of the production of the noblest trades comes to be degraded in use. If I were asked to name the worst case of such degradation I have ever known I should point to the manufacture of iron shoulder-brackets for the use of sandwichmen. To think of coal and iron ore and limestone being mined or quarried, and exhausting blast-furnace work done, and a skilled iron-moulder employed, to furnish shackles to enable a human being to be abused barbarously, in Regent Street or Bond Street, to advertise luxury goods!

[1] The common view of the rich man as to the results of luxurious expenditure is put in a recent utterance of Mr. F. A. Govett, Chairman of the Zinc Corporation, Limited, who at a recent meeting of his shareholders thought well thus to improve the occasion:

"Distribution is just the destruction of wealth. . . . If you take away the riches of the rich you destroy the power of the rich to buy, and you destroy the demand for productions which may be called luxury, while a very large percentage of the labour would be occupied in producing those articles of luxury. The distribution of wealth into numberless small amounts means the destruction of the demand, and the destruction of those industries, and then the highly skilled workmen now producing luxuries would be unemployed, until they could obtain a living by over-producing necessaries in which their skill would be unused."—The *Times*, June 15, 1920. A quite typical expression of the business man's political economy.

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§ 8: Physical Deterioration

The conditions of health have been established by medical science, but we have permitted and we still permit vested interests to maintain the conditions of physical deterioration. The very dreadful document [1] issued by the Ministry of National Service entitled "Report (Vol. 1) Upon the Physical Examination of Men of Military Age by National Service Medical Boards from November 1, 1917, to October 31, 1918," amounts to an indictment of our society. The reporter, Sir James Galloway, K.B.E., M.D., Chairman of a Medical Committee appointed by Sir Auckland Geddes when Minister of National Service to consider the utilization of Medical Board data, begins by saying that experience had shown that men of military age could be sorted into four broad groups according to their physical fitness, as follows:

> Grade 1.—Men enjoying "the full normal standard of health and strength."
>
> Grade 2.—Men subject to partial disabilities, of fair hearing and vision and of moderate muscular development.
>
> Grade 3.—Men of marked physical disabilities.
>
> Grade 4.—Men "totally and permanently unfit" for any form of military service.

In the period referred to 2,425,184 examinations and re-examinations were made. As a result, 36 per cent. were placed in Grade 1; 22 to 23 per cent. in Grade 2; 31 to 32 per cent. in Grade 3; and rather more than 10 per cent. in Grade 4.

These four inferences, says Sir James Galloway, may be summarized by saying that, of every nine men of military age in Great Britain, on the average three were perfectly fit and healthy; two were on a definitely infirm plane of health and strength, whether from disability or some failure in development; three were incapable of undergoing more than a very moderate degree of physical exertion and could almost (in view of their age) be described with justice as physical

[1] Cmd. 504, price 2s. 6d. net.

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wrecks; and the remaining man was a chronic invalid with a precarious hold upon life.

Three men in nine thoroughly fit! When we remember that it was *from our very limited supply of the physically fit* that the war deducted about 600,000 lives,[1] to say nothing of the more than one million which it maimed or rendered in some marked degree physically incapable, we can well believe that in 1920 we do not possess the man-power which was ours in 1914. It is a thing to be remembered by those who, making nothing themselves, call for "more production."

I will make one more quotation from this report. In a Memorandum on the standard of life of over-age men (aged 43 to 51) in Manchester and Stockport, the Chairman of a National Service Medical Board, referring to his notes on the age, grading, trade and disabilities of 2,994 men, says: "Scrutiny of these notes is most depressing, for it fully bears out my previous conclusions that the average man here is, for military purposes, an old man before he reaches the age of 40. The list of disabilities noted against these recruits is an appalling one; and even then I am afraid that it is an under-estimate, as the notes I have from Stockport are not so full as I could wish, and I have not now access to the register to amplify them." The record of specific disabilities of the 2,994 men accompanies the report. It is as follows:

Disability	*No. of men*	*Per cent. of total*
Varicose Veins	602	20.2
Varicocele	234	7.8
Hæmorrhoids	235	7.8
Heart Trouble	462	15.5
Hernia	374	12.5
Rheumatic Troubles	315	10.5
Deformed Toes	308	10.3
Emphysema and Bronchitis	268	8.9
Deafness or Otitis	214	7.2
Flat Feet	172	5.8
Arterial Degeneration	124	4.2

[1] I refer, of course, to war casualties of the United Kingdom only. The total losses of the British Army and Navy in the war, including Indian and Dominion troops, was 800,000.

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Need we wonder if this particular reporter concludes: "It is not good national hygienic economy to aim at immense commercial and industrial success, if by so doing you produce a race of seniles at forty." We are too often tempted to cherish the false conception that we have secured "immense commercial and industrial success." I pointed out fifteen years ago[1] that our production of material goods amounts to "a poor stream of ponderable commodities." We have succeeded neither in applying science successfully to the production of material goods nor in building up a healthy race; and, as it cannot be denied that we have long possessed through the scientist the means of creating both wealth and health, the indictment must be not of knowledge, but of the application of knowledge; not of the amount of hard labour exerted, but of the organization and use of that labour. Professor D. J. Cunningham, before the Inter-Departmental Committee on Physical Deterioration, had this to say about the physical standard of the poor:

"In spite of the marked variations which are seen in the physique of the different classes of people of Great Britain, anthropologists believe, with good reason, that there is a mean physical standard which is the inheritance of the people as a whole, and that no matter how far certain sections of the people may deviate from this by deterioration, the tendency of the race as a whole will always be to maintain the inherited mean. In other words, those inferior bodily characters which are the result of poverty (and not of vice such as syphilis and alcoholism), and which are therefore acquired during the lifetime of the individual, are not transmissible from one generation to another. Therefore, to restore the classes in which this inferiority exists to the mean standard of national physique, all that is required is to improve the standard of living, and in one or two generations the ground that has been lost will be recovered."

Words, these, which are the utterance of both a great hope and a great accusation.

[1] "A poor stream of ponderable commodities filters through thousands of unnecessary channels, and becomes the subject of many strange services, each of which claims and gets some sort of reward."—"Riches and Poverty," first edition, 1905, page 236.

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§ 9: The Lack of Scientific Education

The two worlds of Disraeli are perpetuated by education as she is written in Britain to-day. A class is educated to rule; a class is educated to be ruled. The result we term a Democracy.

It is not even a process which gives an efficient minority to command an inefficient majority. Science is still despised in the seats of learning. The small class which terms itself educated is for the most part as ignorant of Nature-knowledge as the multitude. The newspapers are commonly at the mercy of unscientific stunts, and they revel in "thunderbolts" at each successive thunderstorm. It is rarely that either the House of Commons or the local governing body gains a scientific recruit.

Our captains of industry are still for the most part rule-of-thumb men, who look upon science as an element to be bought, not as a thing necessary to their own salvation. The politician, himself ignorant of Nature-knowledge, safely trades upon the culture of ignorance.

It is impossible for the people at large to realize the full benefit of acquired knowledge, because their training does not inform them of the possibilities which are within the grasp of an intelligent people. The masses are led to believe that they can gain wealth through petty thrift, or through unintelligent hard work. But they can only obtain it through understanding the means of getting wealth, and by insisting that those means shall be practised co-operatively by the nation organized for work, and led by capable men placed in responsible positions by an informed democracy.

Our latest Education Act has some cheap and timid provisions for Continuation Schools, but it falls far short of the needs of the nation. What we need is a common scientific education which, by making known to all the possibilities of production, will at once create a divine discontent with the under-production which obtains, and give the new generation the power to achieve. Without such knowledge the mass of

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the people, under any social system, must remain the tools of the educated few.

After a broad survey of the conditions of capitalistic industry, we cease to wonder that the working power of forty-seven millions of people, offered, as it has been, multiplication a hundredfold, if not a thousandfold, by physical science, has failed to redeem the nation from an all-pervading poverty. The record is one of extravagant waste—waste of work, of life, and of glorious opportunity. Our forty-seven million people might have been, but most clearly are not, the equivalent in working power of two thousand millions of people as they were armed for work in 1750. There is no organization to place the value of knowledge at the disposal of the people. We have deliberately discountenanced organization, although we have before us the accusing records of many generations of the rejection of national action. It was an unorganized, individualistic nation that faced the exigencies of war, and we may now pass to consider the economic position which obtained when the war broke out, and what our ruling classes were driven to do to save the nation from the consequences of the neglects and the disorders of commercialism.

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CHAPTER III

AN UNORGANIZED NATION FACES WAR

§ 1 : Commercialism and the War

THE nation had to pay very dearly in the war for the misuse of brains by capitalism. The industries of the country were ill-equipped to face the ordeal. The poor material output of each of the major and minor industries proved to be as inadequate to fight a powerful enemy as for the purposes of peace.

Long years ago the timber of the nation had been destroyed in a vain attempt to maintain a charcoal iron industry, and never replanted. Experts and Royal Commissions reported in vain that millions of acres could be, and should be, afforested. What in Germany had been a national care was in Britain a national neglect.

True, we had plenty of coal, but nothing is more certain than that if it had been as necessary to plant coal as to plant trees, the outbreak of war would have found us coal-less. In another part of this book I deal with the unfortunate history of British coal development. Here let it suffice to point out in relation to the war that British capitalists had almost entirely neglected the fact that coal is not merely a fuel but the source of extraordinarily valuable chemical products, including explosives, dye-stuffs, and medicines. Our equipment in by-product coke-ovens, in spite of the Report on the subject by the Coal Commission in 1905, was exceedingly poor and, as Mr. Smillie pointed out to the Coal Industry Commission, we had exported some of our most valuable coking coal to Germany, there to be properly exploited and resold to us in essence at a handsome profit. It became necessary for the State to do hurriedly what our individual capitalists had so grievously neglected in peace. It should not be supposed that this was a neglect solely rela-

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tive to war. Our poor development in many branches of the chemical industry was as much a neglect of peace conditions as of war conditions. The industries which serve peace and war are the same. Synthetic dye-stuffs and high explosives are only different branches of the same tree. Our private capitalists had utterly neglected the tree, so that while in peace we were able to make good their neglect by reliance upon foreign supplies, in war we found ourselves in grave danger.

As with timber and coal, so with iron and steel. For many years before 1914 our output had been stationary, to our very great disadvantage in peace and to our deadly danger in war. This had been pointed out again and again,[1] but there was no national organization to protect the public interest. Our theory of trade was that the iron and steel industry was not a national concern, but a matter for the private profit or private loss of the iron capitalists. Government after Government looked on unconcerned while Britain fell to a bad third in the world of iron. It was not merely that they were unconcerned; it was their principle to be unconcerned. The adopted and admired principle of British Government was to govern as little as possible.

As a result we entered upon the war with an iron production of 10,000,000 tons as compared with the 19,000,000 tons of Germany. As for our steel output, it was not more than about 7,000,000 tons.

The case as to other metals was exceedingly unsatisfactory. The zinc industry was of negligible dimensions, so that we were hard put to it to find material for cartridge and shell cases. The resources of the Empire were also deliberately neglected. We left it to the Germans thoroughly to utilize the metals, for example, of Australia.

In the minor but yet exceedingly important scientific industries we were found sadly wanting. Optical glass may be taken as an illustration. We had so neglected this branch of industry that in the early days of the war we suffered

[1] See, for example, my notes on the subject in *The Daily News* of May 18, 1911, and in *The North Eastern Daily Gazette* of May 25, 1911. The latter were followed by an interesting correspondence, in which a well-known iron capitalist who took part insisted that we made all the iron and steel that was good for us.

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severely through inability to manufacture field glasses, periscopes, gun-sights, and other important instruments. The powers of the State had to be exerted to give scientific men their chance where commercialism had despised them.

§ 2 : The Merchant Trade and the National Interest

It should not be supposed that the unorganized condition of production was our sole difficulty in the war. In the merchant trade "business as usual" was no less a difficulty. Again we have to make every allowance for individual difficulty. It would be unfair to accuse any particular merchant of neglecting the national welfare because, when the war broke out, it found him practising a traffic which, either through its nature or its organization, was a danger to the community. The conditions of competitive traffic are not calculated to cause an individual to consider the community. They are conditions which repress all that is best in the individual and which call out of him all that is selfish and anti-social. Moreover, the individual in an individualist society is often, unfortunately, unable to help the community even if he wishes to do so. This is shown in the results of the shortage of supplies in war. Only a national authority can prevent them from representing high prices to the community; the individual cannot do so. Suppose, for example, that in a short market an individual was so unselfish as to sell his goods for less than the market price. If he did so, the ultimate consumer would not gain a farthing, for the margin would simply be taken by other agents. Thus, in self-defence each individual becomes compelled to charge the highest price he can get, for if he does not do so some other individual will benefit by his forbearance.

The opening of the war found the merchants of the country engaged in their normal operations of traffic—importing, exporting, distributing in the home market. We could not reasonably expect that each of these merchants should immediately hold an inquest upon himself to consider whether his trade was or was not necessary to the country in time of war, and either to proceed with it or to shut down

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accordingly. The merchant therefore waited for national direction, and, to repeat what has been said before, national direction was very slow in coming, for it was the theory of Government not to interfere.

The result was that, for a long period, the nation suffered severely from its individualism. Amongst other things:

(*a*) The nation imported many commodities which it did not need and which occupied space in ships which ought to have been taken by necessaries.

(*b*) The nation failed to import many articles which it sorely needed.

(*c*) Even after necessaries had been actually imported into the country they were often sent out again, or re-exported, to make profit for private individuals and to reduce the stocks of the country.

(*d*) British hands, sometimes unknowingly, sometimes through carelessness, and, in occasional instances wilfully, sent to enemy countries British and imported goods which we needed ourselves.

I had these problems constantly before me during the war, as a member of the two Committees which advised on the Blockade in 1914-1916, and afterwards at the Ministry of Shipping. The main difficulty always appeared to me to be the reluctance of Government to interfere with trade, a reluctance which had become the obsession of our statesmen. The most amazing arguments were used, even late in the war, to justify non-interference. If the Government had adopted earlier in the war suggestions which were made to it, the war would have terminated at a much earlier date than November, 1918.[1] But doctrinaire Individualism is always obstinate.

Early in 1916 I directed the attention of the War Trade Advisory Committee to the fact that oleaginous produce was still leaving the country in enormous quantities, even while

[1] In the first month of the war I suggested the policy of Rationing Neutrals, i.e. of allowing neutrals to import as much as, but no more than, they imported normally before the war; this common-sense suggestion was not adopted for nearly a year. If it had been carried out when first proposed, it would have shortened the war by at least a year, and saved hundreds of thousands of lives and hundreds of millions of pounds' worth of treasure.

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we ourselves were being besieged by the submarines. Using this as the illustration of a general case, I submitted to the Committee a Memorandum which is reproduced here to remind the reader how slowly a Government, charged with the safety of a nation, found it possible to shake off Individualism and to take charge of the national economy, even in a case where the most deadly peril stared us in the face. Here is the Memorandum, which bears date April 17, 1916:

Shipping and Our Essential Supplies.

(1) The appointment of a sub-committee to consider the question of how best to deal with the oleaginous produce of the British Empire in the best interests of the nation at this time raises, it seems to me, some important general considerations which cover a much wider field than that reviewed by the sub-committee, and I desire to place them before the Grand Committee.

(2) The question of oleaginous supplies is, indeed, an illustration of a big general case which, as it seems to me, is increasing in importance day by day.

(3) The shipping available for the provisioning and supply of the United Kingdom in war is continually decreasing:

(*a*) British and neutral vessels are being lost in considerable numbers by submarine attack and through the laying of mines.

(*b*) The attacks on neutral shipping are causing a certain withdrawal of neutral vessels from service, which in actual effect means their total loss.

(*c*) The purposes of the war make a constantly increasing demand upon what shipping is available.

(*d*) I assume that the Admiralty has had to divert fast ships from commerce in order to hunt submarines.

(4) It appears that, in spite of the vigilance of the Navy, the efficiency of the submarine attack is increasing. It is probable that it will increase still further, for we know that the engineering resources of the enemy are gigantic. There is no reason why, given standardization of type, a very large number of additional submarines should not be added to the attack. It would appear also that in the inherent character of the problem it is easier to increase the means of attack than to provide for defence.

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(5) The protraction of the war, therefore, adds to the dimensions of the submarine menace, and a lapse of another six months or a year may find it much more formidable than it is now. At any rate, it would be unwise not to prepare for greater shipping losses than now obtained. If the success of the attack grows, more and more neutral ships will be frightened off the seas.[1] It seems to me, therefore, quite necessary for the practical purposes of preparation and provisioning that we should assume that as the war proceeds the shipping difficulty will increase week by week.

(6) As one-half of our total supplies of food and probably seven-eighths of our raw materials (apart from coal) have to be imported, the considerations referred to seem to me to be amongst the most important that can come before this Committee.

(7) As things are, our commerce and our shipping are largely conducted as though the growing shipping trouble did not exist. The Board of Trade returns for March, 1916, issued on April 7, 1916, show that we are still allowing to be exported and re-exported from this country essential supplies which it may be very difficult to regain in six, nine, or twelve months' time. Long ago I pointed out that the great dimensions of the re-export trade of this country in this war was in a large measure injurious to the national interest. I do not think it is realized what a waste of effort and of lives is implied in the fact that in March, 1916, we were re-exporting imported goods to the value of £105,000,000 per annum.

(8) If I may illustrate the subject by reference to the important matter of oleaginous produce I should like to call attention to the meaning of the following figures:

United Kingdom Exports of Oil Seeds, Nuts, Oils, Fats and Gums to all Destinations.

	1914 £	1915 £
1. Exports of "British Produce and Manufactures" ...	3,962,000	5,388,000
2. Exports of Foreign and Colonial Merchandise ...	5,644,000	7,782,000
Total	£9,606,000	£13,170,000

[1] Ten months after these words were written neutral ships largely deserted our waters through the German sink-at-sight campaign.

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(9) It is now well known that a large part of the above abnormal figures for 1915 represented the provisioning of the enemy through neutrals. Towards the end of the year the rationing system was introduced, and a great improvement effected, but it remains a very mournful fact that in the year 1915, which began in the sixth month of the war and ended in the eighteenth month of the war, *we deliberately sent out of this country an enormous quantity of oils and fats which we now need.* The Grand Committee, indeed, has been moved to set up a subcommittee to study how best to obtain for the nation new stocks, which would have been largely unnecessary if, at the present time, we had stored in this country oleaginous produce which, at the cost of much labour and life, had been brought into it.

(10) This illustration can be matched by many others of the same sort. I believe it to be a well-informed opinion that, even if the rate of shipping losses does not grow, we shall have difficulty enough in getting into this country this year our essential supplies. Amongst these essential supplies are many articles which were first brought into the country, and next sent out of it in considerable quantities in recent months.

(11) The position is one in which I suggest that the Committee would be justified in advising His Majesty's Government to acquire and lay in stocks of materials as soon as possible, and to keep them for national use when obtained, first of all making sure of war supplies, such as oils for glycerine purposes, next dealing with essential foods and materials, and lastly dealing with comparative superfluities.

(12) The adoption of this policy means a considerable extension of direct action by the State. In the first place it cannot be carried out effectively without a *complete* control of the mercantile marine. It seems to me quite necessary to recognize that for practical purposes every British merchant ship has become essential to the conduct of the war. No ships should be allowed to be chartered by private persons to bring in comparative superfluities while still we lack indispensable commodities. The nationalization of the mercantile marine for the purposes of the war is a necessity. Such complete control would also, of course, solve the crying evil of excessive freight charges.

(13) It also follows that to make sure of indispensable supplies it is necessary to extend the policy which the Government has already applied to sugar and, in part, to meat, and to buy for national purposes, and to fetch to this country by its ships, all

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absolutely essential commodities. In the ordinary course of trade we should otherwise receive month by month certain supplies of essentials and comparative superfluities and luxuries, the only actuating cause being the desire on the part of traders to meet demands and make profits. In a given time, therefore, we should receive a certain quantity of essentials accompanied by a big proportion of unessentials. Only by direct State action can the nation make sure of getting, in the same time, a bigger stock of essentials at the cost of the unessentials.

(14) When we know that there exists in the world, as in the case of oleaginous produce, ample supplies of material which the United Kingdom lacks because of the shipping difficulty, it seems to me that the only sensible and straightforward course of action is in effect to send ships to get them, and to bring them home and store them at the earliest possible moment.

(15) I am, of course, aware that it is proposed to use every possible endeavour to build new ships, but such building cannot be done fast enough to meet the case.

April 17, 1916. LEO CHIOZZA MONEY.

The view taken in this Memorandum was amply justified by events. The submarine attack increased, as might have been expected, and early in the following year the German "sink at sight" policy was declared. We found ourselves dangerously short of supplies, and we had to take extraordinary steps, when almost too late, to secure supplies which might have been made ours, without more than ordinary effort, in 1915-1916.

The oleaginous produce sent out of the country in 1915-1916 (after having been brought into it) might have been stored to secure the national safety. Not only oils and fats, however, but tea and coffee, and many other things were re-exported as though we had no need of them. It would be utterly incredible, if it were not true, that during a considerable period of the war we allowed ourselves to be deliberately deprived of war stocks to make profits for private traders, and that part, at least, of those stocks went to the enemy.

The British public never realized what it suffered at the hands of commerce in these matters. Take the case of tea as

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an example. Here are the facts with regard to the exportation of tea from the United Kingdom to European countries other than Russia, for the years 1913-1917 inclusive. They are taken from the published Monthly Trade Accounts:

Exports of Tea from the United Kingdom to European Countries other than Russia.

	lbs.
1913	12,005,000
1914	30,650,000
1915	26,565,000
1916	19,037,000
1917	2,831,000

The figures for 1913 show our normal exports to the Continent of Europe, to countries other than Russia. It will be seen what an enormous increase in this exportation took place in 1914, 1915, and 1916. This increase was due to the fact that Germany, being cut off from coffee, very naturally bought all the tea she could get from her neutral neighbours. Members of the British tea trade carried on a business with European neutrals which they knew to be abnormal. The trade knew well the populations of the little countries to whom it was sending the tea, and how little those countries normally consumed. At last the traffic was stopped owing to the energetic action taken by the present writer; hence the very different figures of 1917.[1]

Thus also it was with tobacco and other articles.

It was not merely that members of the British merchant trade were making themselves a base of supply for the enemy; the operations of trade which comforted the foe deprived the British people of stocks. So it was that early in 1917 there was a tea famine, when 4s. per lb. was charged for the cheapest sorts of tea. And this famine was a direct result of the exportation of a commodity which we badly needed ourselves. The besieged island had been supplying its stores to the besiegers. I have said before, and I say here again, that there ought to be a public inquiry into these matters. It is true that some cases have emerged in the Law Courts,

[1] It was not until the latter part of 1916 that I carried my proposal to prevent the re-export of tea, tobacco, etc., from the United Kingdom.

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but that is not enough. It ought to be brought home to our people that, even when we were engaged in a great war, Commercialism could not be trusted.

Every suggestion made in the Memorandum just quoted became, sooner or later, the adopted and successful policy of Government, but not until much more harm had been done; not until we had been brought to the edge of the abyss.

In these matters the Government, its statesmen and its traders, faithfully reflected the national economic policy. Nothing was more curious in the war than to see critics denouncing one or other Government, or one or other statesman, for *not taking State action*. The responsible newspapers of the country, like the accepted economists, had always denounced State action. Why, then, should a Government suddenly reverse the accepted policy of generations and pursue in war ideas which are counted accursed in peace?

§ 3: The Nation Driven to Organization

Faced with the exigencies of a grave situation, an Individualist Government found itself driven to realize that when a nation goes to war only national organization can serve it. It does not necessarily reflect upon the individuals who were in control of trades to point out that they utterly failed to give the nation what it needed. They had been accustomed to the conduct of petty operations contrived for private purposes. It was obviously difficult for men trained in the school of commercialism, and utterly unaccustomed to viewing their particular businesses from the point of view of national need, to conceive measures adequate to meet a situation which could only be met, if at all, by the organization, free development and transformation of economic powers which had proved insufficient for the purposes of peace.

The Government itself was Individualist in theory, and therefore in the greatest difficulty. It had suddenly to organize for war a nation which had deliberately maintained itself as a heterogeneous collection of unorganized inefficient factors, creating wealth (of a sort) for the few, and poverty for the many. The wars of Britain's recent history had been

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on too small a scale to make it absolutely necessary to recognize Collectivist principles in their prosecution. Take the South African war, for example. During three years some four hundred thousand men were employed, which means that, save as to a small fraction of its population, the nation during those three years was not at war. It was merely looking on while a small number of men fought for it in a country afar off. Matters of supply left untroubled the greater part of our industry and trade. Small as they were, they were marked by abuse and grave scandal, but the operations as a whole were not large enough to instruct us against the situation which arose in 1914.

When, therefore, the war began, the Government was not only unprepared in principle, but in principle actually opposed, to waging war as war ought to be waged if we grant its necessity. If the then Opposition had been in power the position would have been exactly the same. Any idea of organizing the nation was foreign to the principles upon which British Government was conducted by any party. Ability in such circumstances was at a very big discount. Indeed, in such a case, an able man prejudiced against national organization was even more dangerous than one of less ability.

It was very fortunate that we possessed in the Chancellor of the Exchequer of the day a man with no particular bias against national effort. To that fact we owe the State backing of the banks—the saving of the nation from the disaster of individualistic financial control. Unfortunately, however, while a few things were done which ought to have been done, the majority of the necessary big steps to bring the war to the quickest possible termination were not taken until much time had elapsed; in some cases until it was almost too late. Even in regard to so vital a matter as the supply of arms and ammunition, it is now plain that the Government neglected to make a census of the productive powers of the country, and thus to be prepared to expand the supply of munitions to the maximum required. I do not mean that nothing was done, but that the thing was not done on the national scale.

It was necessary to provide millions of fighting men, to supply those fighting men with arms, to supply also our

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Allies, and to do each of these things while producing to sustain the nation as a whole. It was childish to imagine that these things could accomplish themselves without organization. Seven months of the war elapsed before the Government considered that possibly too many miners were going out of the country for the country's welfare. Then it appointed a Committee. While the Committee was sitting it was announced to the nation that over two hundred thousand miners had enlisted, and we learned from the Board of Trade that the country's output of coal had fallen by about 11 per cent., which was a great misfortune. Thus also it was with the iron and steel trade. Before the war private hands, as I have said, had allowed it to sink to the third place where once it occupied the first. In the war it was still in private hands, and we learned that it was short of labour, as though iron and steel were not sorely needed by the nation. These follies were inherent in the game as played. It is useless for the Individualist to blame the Government of the day for these things. They were the necessary outcome of Individualist Government, and the administration was rather to be congratulated for doing some things nationally than to be blamed and criticized for not suddenly turning the nation's cherished principles inside out. It is worse than idle to utter reproaches in respect of individuals, and no such reproach is uttered or suggested in these pages; the individual only too faithfully reflected a system.

Let us notice what is implicit in this. In war time surely as at no other time a "Business Man" should be moved to do his best for his country. He is not only a "business man" but a man *sans* adjective, and as such he must be impelled to try to think nationally. If, then, in war the Government was impelled to national organization, it was not because it was more necessary in war than in peace, but simply because life and death were so immediately involved that the real issue was put before the nation as it could not be when premature death, although fearfully and wickedly common, was not thrust beneath the public eye.

If Individualist principle was the right thing, then it was manifestly absurd in war time to do what the Government did, for example, by taking control of the railways. If

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divided railway control was efficient, why interfere with it; why not carry on as usual? What was there in the way of moving trains or men that was not the proper business of railway companies, and why, then, were they "interfered with"? If it becomes obviously necessary to mobilize railways in war, to move some hundreds of thousands or millions of men, why is it not necessary to mobilize railways in peace to move to the best advantage nearly three hundred million tons of coal in a year—the coal which is the very life-blood of British industry?

Let us restate this issue fairly and squarely, for it goes to the root of the matter. The accepted principle of industry and commerce is that private enterprise, left to itself, will give the nation all that it needs and produce the best possible results.

If, then, that principle is true in peace it must be truer in war. If it works for good in peace, it must work for even better in war.

For in war there is added to all the normal incentives to the individual that obtain in peace the spur of patriotism and the individual's own fear that he may suffer in the defeat of his country. In peace the private capitalist is moved to action by gain; in war he is moved to action by the prospect of higher gain and quicker returns, plus the incentive of giving special service to his country and of protecting those who are near and dear to him as an individual.

Why, then, should there be any interference with the individual in war-time if unrestricted private enterprise is all that a nation needs to give it the services which it requires in peace?

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CHAPTER IV

THE NATIONAL ORGANIZATION OF THE MUNITIONS SUPPLY

§ 1: Formation of the Ministry of Munitions

ON May 26, 1915, in the tenth month of the war, it was officially announced that the Prime Minister had decided that a new Department of State should be created to be called the Ministry of Munitions, charged with organizing the supply of munitions of war, and the Bill to give effect to this decision was introduced on June 3, 1915, and passed into law on June 8. Thus the greater part of a year went by without the necessary steps being taken to organize the metal and engineering trades for war purposes. I do not mean that nothing was done before that date; the essential point is that what was done was inadequate.

Let us not forget, in this connexion, that nothing can ever compensate the nation for the time that was lost. This is not to throw blame upon individuals; it is, as I have already indicated, to indict a system. The nation had to think itself out of the wrong way of doing things, in the face of grave peril, and by the time it had brought itself to a true view of national economy, it had lost the opportunity of doing them as well as they might have been done. When the Ministry of Munitions took charge, the nation had already lost, in its mines, in its iron and steel works, in its engineering establishments, the services of men who had volunteered for the war, even while a host of non-producers created by the inherent follies of the commercial system were carrying on with useless trades. The Ministry of Munitions had to make the best of things as they were; it could not create conditions ideal or even excellent. What it did do was to show that a nation, although deprived of its best workers by

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war, could produce more, under conditions of great and growing difficulty, than unorganized effort could give us with much greater power.

The first Minister of Munitions had to invent an organization. If the nation had been organized for peace, it would have been the simplest possible matter to produce the commodities that were required. A series of up-to-date and well-equipped factories, comparable as industrial units to the ships of the Royal Navy, would have been ready to do anything that could have been reasonably demanded of them. Almost as soon as the war broke out the National Factories would have been turned on to war work. Mr. Lloyd George had no such facilities at his disposal. He had to create an organization capable of taking charge of the productive powers of the country, and he had to secure, if he could, obedience to orders from undertakings which existed as independent unco-ordinated factors in an industrial community which carried on normally without measurement and without science. What was done was to organize departments with the aid of a few devoted Civil Servants, and to call in, as temporary servants of the Crown, distinguished business men.

It was found necessary to increase the supplies of labour in the face of the demands of the Army, and to make enormous increases in plant and better use, also, of the machinery already available. Three-fourths of the machinery which existed when the Ministry took over was not working to full capacity. Tens of thousands of the most-needed workers, whose services it was impossible suddenly to replace, had been drafted into the Army. The release of skilled men from the Army became a big Department of special importance—a Department, that is, to undo the evil which had already been done through lack of organization. Our existing machine-tool factories were set to work to multiply machinery, and large orders were placed in America. In many cases it became necessary to make special arrangements to manufacture more machinery before the nation could proceed to manufacture more munitions.

In the earliest days of the Ministry, fortunately, steps were taken to create National Factories; as early as July 28, 1915, the Minister told Parliament that sixteen National Fac-

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tories had already been set up. Mr. Lloyd George said on that occasion:

"The advantage which a National shell factory has over mere co-operation between different firms consists in economy in working. We are convinced that we can turn out the shells at a much lower price than that at which we are obtaining them. There will be better control; there will be better facilities for inspection; and we think that we shall have less trouble with labour, and that is an undoubted advantage."

Later, on December 20, 1915, after six months' experience, the Minister of Munitions was able to report to Parliament that the number of National shell factories had been increased to thirty-three, that many of them had been conspicuously successful, that they had increased the supply of shells three-fold, and as to the all-important labour question, *"they have minimized our labour difficulties . . . there have not been the usual questions between capital and labour."*

The Ministry rapidly increased the supplies of shells. In May, 1915, the Germans had been turning out 250,000 shells a day, while we were producing only 15,500, of which only 2,500 were high explosive shells. By August, 1916, fifteen months afterwards, the second Minister of Munitions, Mr. Montagu, was able to tell Parliament that the average weekly production of heavy shell was in 1915-16 twenty-two times as great, and in August, 1916, ninety-four times as great, as in 1914-15. The shell output which in 1914-15 it took a year to produce could, in August, 1916, be produced from home sources alone in the following periods:

For 18-pounder ammunition	In three weeks.
For field howitzers	In two weeks.
For medium size shells	In eleven days.
For the heavy shells	In four days.

To put it in another way, lumping all kinds of guns, howitzers, and ammunition together, in August, 1916, the Ministry of Munitions was producing and issuing to France every week about as much as the whole of the pre-war stock of land service ammunition in the country.

If we turn to metals, we find that the Ministry of

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Munitions took complete control of supplies, with excellent results. When the Ministry was formed the supplies were irregular, and the greatest difficulty was often experienced through munition workers being kept waiting for material. Moreover, competition in the open market was raising prices hand over hand. The Ministry formed a Metal Department, which took over all the metals and made great reductions in prices. On December 15, 1915, Mr. Lloyd George was able to state that, in the aggregate, £15,000,000 to £20,000,000 had then already been saved, to say nothing of additional security and regularity in supply. On August 15, 1916, Mr. Montagu, then Minister of Munitions, referring to the Ministry's control of copper, antimony, lead, tin, spelter, tungsten, mercury, high-speed steel, etc., estimated that the saving in prices up to that date was as much as £41,000,000.

As to steel, energetic measures were taken to increase the very poor output which has been already referred to. Despite the difficulties of war-time, enormous progress was made, and by the end of the war the steel capacity of the country had been increased about fifty per cent. As to high explosives, in the early days of the Ministry supplies were not only small, but, unfortunately, they had to be manufactured in crowded centres of population, with great risk to hundreds of thousands of people.

The erection of National explosive factories entirely changed the situation. On June 28, 1917, Dr. Addison, third Minister of Munitions, mentioned that in a group of T.N.T. factories a capital expenditure of £1,500,000 had provided the nation with a capacity which had already produced, at a cost of £3,500,000, explosives which, at the contract prices being paid when the factory was under construction, would have cost £7,000,000. He went on: "The present cost of production at Queen's Ferry, exclusive of interest and depreciation, is 8½d. per lb.; the cost in the market when this factory was started was 1s. 9d. per lb."

In this connexion it is impossible to pay too high a tribute to the research work which was done under State auspices. It is sometimes said that the State cannot initiate, and that private enterprise alone can improve and develop industries. The work of the Ministry of Munitions, done

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under conditions of the greatest difficulty, such as never obtain in peace, is a complete answer to such assertions. Before the war we knew little about high explosives, and, as I have already said, our capitalists had largely neglected the chemical industries. Before the Ministry of Munitions could make any great improvement in the shell position it had to do important chemical research work. The problems were solved by the Explosives Supply Department, with Lord Moulton at its head, which began under the War Office and largely developed under the Ministry of Munitions. The staff of scientific chemists at Woolwich gave great aid. Thus in war the scientist obtained his opportunity as he had never obtained it in peace. It is astonishing that anyone should suggest that scientists of the same calibre could not be found to work for the nation in peace if they were given the chance to do so.

Indeed, the question of initiative goes far beyond this particular matter of high explosive. The war created hundreds of munition problems, some of them of an entirely new character. The Ministry of Munitions was not charged with the mere routine work of multiplying the production of goods of simple or established patterns. At every point it had to confront new problems and to meet new conditions. Trench warfare called for hitherto unmanufactured appliances in the shape of periscopes, and trench mortars, and grenades. Such novelties as flame projectors, poison gas, gas masks, and tanks had to be worked out by scientific experiment under the urgent pressure of war need, with labour ever growing scarcer and materials ever in more demand.[1] Above all the Ministry of Munitions was a triumph of origination and enterprise. It created not only new factories but new industries, new methods, new materials. It did more for the advance of British industry in three years than had been accomplished by private enter-

[1] So little is this understood that we find Mr. Hartley Withers writing (*The Review of Reviews*, October, 1919) that: "The Government had the enormous advantage of knowing exactly what had to be produced. It had not to face the real problems of industry in normal times, of producing goods to meet the fluctuating whims of the world's demands. There was no call on its judgment." Those who visit the Crystal Palace War Exhibition will see that the war manufacturing was above all a matter of judgment, of invention, of rapid change to meet hitherto unheard-of contingencies.

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prise in the previous twenty years. It turned the most unlikely works and workers into efficient producers. Of the 4,000 firms which it controlled to produce munitions, not five per cent. had had anything to do with munition work before the war began. It trained women to work in five hundred different munitions processes. Women did work such as never women had before attempted.

Above all, it gave opportunity to the scientist. I have already referred to the subject of optical glass, in which the Germans had been so triumphantly successful before the war. In the early days of the war our supplies of field glasses were so small, and our means of manufacturing new ones so insignificant, that officers were charged the most exorbitant prices for the limited number of German glasses in stock in the country. Early in 1915 I found it necessary to pay twelve guineas to a London shopkeeper to buy a pair of German glasses for which the maker, before the war, had probably received about £4. How well this illustrates the relation of commerce to science. Early in 1915 we did not possess an optical glass industry worth mentioning, but we did possess an amazing number of shopkeepers eagerly prepared to make extravagant profits out of the scientific work of another country, and special measures had to be taken to stop their profiteering.

The Ministry of Munitions acted promptly. It invited British scientists to investigate the problem. The scientists made short work of the subject. They soon discovered many of the formulæ employed by the Germans in the manufacture of chemical and optical glass. As a result, in twelve months the output of optical glass for periscopes, field glasses, gun sights, etc., was multiplied by the Ministry four and a half times. By the end of the war it had been multiplied over twenty times.

In the first twelve months of the war we mainly depended upon capitalism to give us munitions, and we suffered terribly for our dependence upon uncontrolled private enterprise. The nation got the things which it did not want; it failed to get the things which it so sorely needed. In the closing stages of the war our military operations in many far-flung theatres of war were never impeded by lack of supplies. Where, at

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the beginning, our soldiers lacked material for small operations, at the end of the war they had more than ample material for much larger operations. Munitions were ready in the right quantity, of the right sort, at the right moment, and in the proper place. The supreme test came when, on March 21, 1918, the Germans broke the British line in France and advanced forty-two miles to Montdidier in about a week. The Germans captured hundreds of field guns, thousands of machine-guns, tens of thousands of rifles, in addition to tanks, howitzers, mortars, carts, wagons, clothing, boots, and mountains of ammunition, food, etc. So well organized was the munition supply, and so ready to meet all emergencies, that every ton of lost material was replaced within a fortnight, and the replacement was, on the whole, made with superior munitions.

§ 2: Economy of the Munitions Supply

Unable to combat the evidence that Nationalization, and Nationalization alone, gave the nation the munitions which it needed, the defenders of the system which so signally failed to give us munitions, or even the materials of munitions, take refuge in accusations of waste and extravagance.[1]

It is perfectly true that in time of war a Government Supply Department which does its duty is compelled to lavish money in experiment, and often finds it necessary to place contracts without securing preliminary tenders. That is part of the nature of the case, and it is simply trifling with the subject to ignore it. What would have been said if the Ministry of Munitions had kept our soldiers waiting for some urgent requirement while it spent weeks, or months, in cutting down tenders? No, it was obviously impossible for those responsible for the national safety to pursue a policy of obtaining competitive tenders, or to restrict within narrow limits expenditure on experiments and trials.

[1] Thus, Mr. Hartley Withers, writing on "The Case against Nationalization" in *The Review of Reviews*, says: "Was not the war won by the efforts of our fighters and civilians, in spite of the muddling and profligate extravagance of the Government?" The answer is No, for our fighters were sacrificed vainly to the enemy until they were furnished with high explosive, trench mortars, guns, tanks, gas-masks, and a thousand other things, by the Ministry of Munitions.

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And it is just because the conditions of war gave a whip hand to the war contractor that the policy of Nationalization, pursued in the war, proved so tremendous a success from the point of view of economy. If there had been no purely National Factories the Ministry of Munitions would never have had at its disposal the means of beating down the contractors to fair prices. And the scientific costing practised by the Ministry of Munitions, as it had never before been practised in this country, not only saved the nation hundreds of millions of pounds, but enabled the State to carry on industrial operations in a manner which was unfortunately foreign to private enterprise. The matter may well be stated in the words of Sir John Mann,[1] the Ministry of Munitions Controller of Munitions Contracts. In giving evidence to the Coal Commission, he said:

"The Ministry of Munitions installed complete systems of costing in all the important National Factories and supervised and introduced improvements, where necessary, into the systems in use in the works of certain contractors where the Ministry was directly interested in the costs of production. The information yielded by these costing systems has been of inestimable value to the Ministry, not merely in disclosing the actual costs of the article made in such factories, but also in indicating the relative efficiency of one factory compared with another and the variations in efficiency and economy at the same factory. The analysis of the costs into the various operations performed on any one article also afforded valuable information as to the cheapest method of carrying out each operation, thus indicating at each factory any particular operation or operations which may have been weak or costly."

The information obtained by the Costings Department was indeed of inestimable value to the nation. It enabled the Ministry to curb the greed of contractors. Curiously enough, Mr. Lloyd George, in announcing to the House of Commons, on August 18, 1919, that his Government had determined to discard the Report of the Sankey Commission in favour of the Nationalization of the coal industry, was led, in a very proper defence of Government servants—whether Civil Servants or

[1] Sir John Mann, K.B.E., is a chartered accountant of the firm of Messrs. Mann, Judd, Gordon and Co., of London, Glasgow and Newcastle.

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business men—to state some things which had been accomplished in the way of national organization. He said:

"You do not get economy by abusing Government Departments and Government officials, and by abusing those volunteers who have given their time to Government work. I am bound to say this. They have all done well. There has been a great attack upon them, as if they had been extravagant, especially the business men, without whose assistance the war could not have been won. I will give one or two illustrations, because I think this is vital. My experience was in the Ministry of Munitions. What was the first step they took? To reduce the cost of manufacture—shells, machine-guns, guns, rifles. The 18-pounder when the Ministry was started cost 22s. 6d. a shell. A system of costing and investigation was introduced and National Factories were set up which checked the prices, and a shell for which the War Office at the time the Ministry was formed paid 22s. 6d. was reduced to 12s., and when you had 85,000,000 of shells that saved £35,000,000. There was a reduction in the prices of all other shells, and there was a reduction in the Lewis guns. When we took them in hand they cost £165, and we reduced them to £35 each. There was a saving of £14,000,000, and through the costing system and the checking of the National Factories we set up, before the end of the war there was a saving of £440,000,000."

At this point a member of the Opposition was not unnaturally moved to cry, "Nationalization!"

Mr. Lloyd George, who fortunately has a sense of humour, was not perturbed by this interruption. Very handsomely he said: "That is a point my hon. friend is quite entitled to make. And," he went on, "I will give him another point. When the National Projectile Factories were afterwards set up we effected a further reduction of 10 per cent. Take the Ministry of Shipping. By its organization, by its reduction of rates, the Controller of Shipping saved hundreds of millions to this country." [1]

[1] The words of another Minister of Munitions may be here quoted. They are those of a strong opponent of Socialism:

"Well, gentlemen, I make you my hearty congratulations. I have not been quite convinced by my experience at the Ministry of Munitions that Socialism is possible, but I have been very nearly convinced. I am bound

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Organization of the Munitions Supply

In Parliament on June 24, 1919, Mr. Kellaway, Parliamentary Secretary to the Ministry of Munitions, stated that the national costings system reduced the price of rifles from £4 1s. to £3 8s., and as rifles were ordered by the million, this meant a very big saving, or, what is the same thing, a very great diminution in contractors' profits. The Vickers type of machine-gun, which was costing £112 when the Ministry of Munitions was formed, was reduced to £80 at the time of the Armistice. During this same period, of course, the public was suffering from rising prices—at the very same time that, through Nationalization, the Ministry of Munitions was in this, and many other respects, enjoying lower prices.

In the face of these accomplished facts, the charges of waste and extravagance fall to the ground. In view of the magnitude of its operations, no one who has any acquaintance with the work of the Ministry of Munitions can sustain the charge that it was not conducted, in view of all the circumstances of the case, with economy. The exigencies of the war were such that a Department of the sort might well have been pardoned if it had neglected to set up a Costings Branch which was entirely new to our industrial life and which was bitterly opposed by some of the contractors themselves.

In his evidence referred to Sir John Mann testified that the installation of the costings system met with opposi-

to say I consider, on the whole, the achievements of the Ministry of Munitions constitute the greatest argument for State Socialism that has ever been produced. To regulate from a Government office affairs of the variety and scope that we have been dealing with is a feat which has never been attempted before, and that it should have been done with such a great measure of success constitutes a new factor in the political history and experience of the world. But we must remember that the men who did this work were not official products of purely official origin. They were men who in the overwhelming majority of cases in the rough and tumble of life had already reached the top of their respective professions, and if I am not convinced by the great success of the Ministry of Munitions of the possibilities of a universal State action in regard to supply and production, it is because I do not see from what new source in the future we are likely to obtain these elements of individual strength and initiative and enterprise without which, after all, we never could have succeeded in any respect."—Mr. Winston Churchill to the staff of the Ministry of Munitions, January 2, 1919. As to the reference to "business men," see Chapter X. It was strange that Mr. Churchill should forget that, e.g. the all-important Explosives Department was led not by a business man but by a judge—Lord Moulton.

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tion in certain cases, and that it was only after experiment that factory managers as a whole recognized the value of the system as a guide to the efficient management of a works. No such system yet obtains in many branches of work as now conducted by Capitalism, including our all-important mining industry.

Some good results of national organization have remained to the nation in spite of the shutting down of national effort. Mr. Webster Jenkinson, C.B.E., who was the Controller of Factory Audit and Costs at the Ministry, also told the Coal Commission that, although at first the introduction of costings was strongly opposed by the factory managers generally, they came to realize its value to themselves,[1] and doubtless in some cases what were recently controlled establishments are now practising what they learned under State auspices. Those who believe in the innate efficiency of Capitalism, however, should explain, if they can, how, after five generations of factory management, it was necessary for a State Department to teach business men how to do business.

It was not, of course, the "waste" of the Ministry of Munitions which annoyed the contractors; it was the cutting down of their prices through the operations of Nationalization. For example, a certain firm quoted £34,717 for certain work. But National Factory costs were available, and the contractors were "persuaded" to take £16,537. This sort of saving through the existence of State factories was not calculated to endear successful Socialism to the business man.

§ 3: Magnitude of the Munitions Work

On November 11, 1918, the Ministry of Munitions had a total staff, including headquarters and all district officers, of 65,142 persons. Let this number be compared with the magnitude of the Ministry's operations. The official Appropriation Accounts show that the expenditure of the Ministry from its formation in June, 1915, until March, 1919, was as follows:

[1] Coal Industry Commission, Minutes of Evidence, page 1006.

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Fiscal year ending March	£
1916	224,000,000
1917	522,000,000
1918	672,000,000
1919	531,000,000
	£1,949,000,000

In 1918 the 65,142 persons were dealing with a business the turnover of which was £672,000,000. So that, for each of the persons employed, including messengers and charwomen, the turnover exceeded £10,000. No private business could produce such an economical result, for a reason which, it is to be feared, is imperfectly understood, so unaccustomed are we to large scale operations. The national scale is the most economic scale. So true is this that if business is organized on a national scale and the officers waste one-half of their time they work much more economically than if the same business is divided amongst many private concerns each of which works, within its limits, to the best of its ability. The waste of labour, especially of labour of direction, in ordinary private business is appalling.

The Appropriation Accounts referred to are accompanied in each case by a report by the Government auditor, who is officially termed the Comptroller and Auditor-General. This official, unfortunately, has no counterpart in private business. His work it is to mark and disclose every unsatisfactory feature in the national expenditure. If the shareholders of joint-stock companies had such aid, what tales would be told and what storms would sweep through their annual meetings!

So careful and so revealing is this public watch-dog that he notes, in his Report for 1918-19, when £531,000,000 was spent, that "the following items for which adequate vouchers could not be obtained, are included in the account":

£6 10s. for sundry disbursements at a depot.
£35 14s. 2d. for postage at an inspection depot.
£5 11s. 4d. in respect of wages and bonus at a factory.

It is because of this meticulous guarding of the public interest that the newspaper reader is served up with in-

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cendiary articles on "Waste." The State auditor speaks of general economy and exceptional waste. The enterprising newspaper has its go "agin the Government" and serves up the exceptional items in scare headlines which occupy so much space that no room can be found for the general verdict.

Thus in the Report dated April 30, 1919, for the year when £672,000,000 was spent, the "losses due to theft or fraud" are put at £421 15s. On December 1, 1919, it was reported in the newspapers that a private firm of shipowners had been relieved of £23,000 by a girl cashier, and on December 10, 1919, it was shown that a London branch of an American bank was robbed of £10,000 by three boys, two of whom were aged seventeen and the third nineteen, who were paid at the rate of 35s. a week for handling enormous sums of money. These contrasts between commercial efficiency and what the business man is fond of terming "official waste" need no comment.

The Comptroller and Auditor-General's general verdict on the National Factories is as follows:

"As a rule, cost of production compares favourably with prices paid to outside contractors, but certain groups of factories show less satisfactory results in this respect, e.g. the Irish shell factories." [1]

It is regrettable that the newspaper accounts of the Report overlooked this general verdict. A collection of them lies before me, headed thus:

"Examples of Waste and Muddle."
"Orgies of Waste."
"Spending Orgy."
"Loss and Waste."
"How the Public Money Goes."
"Public Money Wasted."
"Noodle and Hoodle."

How could the public gather from such accounts that the State auditor's report was a favourable one, which, however, did its plain duty to the public by pointing out every item of miscalculation, however innocent and due to whatever

[1] Ministry of Munitions Appropriation Account, 1917-1918, page 44.

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changes in war conditions. For example, the Comptroller and Auditor-General referred to the great Henbury enterprise in the following terms:

"The irrecoverable expenditure of £647,499 shown in the balance-sheet of the explosive group of factories represents the loss incurred to March 31, 1918, on the factory at Henbury, which was designed for the production of nitro-cellulose powder, but abandoned on the declaration of war by the United States." [1]

The Henbury works were a wise, proper and prudent provision against a deadly danger. If the Minister of Munitions had omitted to provide against it he would have deserved impeachment. There was, of course, no guarantee that America would come into the war. Fortunately she did so, and the works, no longer needed, were at once closed, the shutting down being as wise as the setting up. Yet this unavoidable expenditure was denounced as "waste," in the sense of avoidable waste, by many organs, one of which went the length of terming the officials "criminals." It may well be wondered what sort of terminology would have been employed if America had not come into the war and if Henbury had not been built.

A few items extracted from the official accounts of Munitions output may be added to show at once the magnitude of the Ministry's operations and their growth between 1915 and 1918:

Output	1915 *Third Quarter*	1918 *Third Quarter*
New Guns: Light	898	1,898
Medium	193	451
Heavy	16	698
Shells: 18-pounder	1,703,000	8,300,000
4.5 howitzer	205,000	2,280,000
60-pounder	112,000	1,320,000
6-inch	28,000	2,820,000
heavy	35,000	560,000
High Explosive (tons)	10,470	43,691
Propellant Powders (tons)	3,309	15,816
Machine Guns	1,719	33,507
Rifles	176,239	287,755
Small Arms Ammunition	368,500,000	746,000,000
Aeroplanes	707	8,503

[1] Report for 1917-1918, page 45.

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It remains to add that between the latter part of 1915 and the Armistice the number of industrial workers employed on Government work, including the Admiralty, increased from 1,552,000 to 2,946,000. These figures include the women workers, who increased in the same period from 138,000 to as many as 848,000.

§ 4: Power and Beauty at Gretna

One of the proudest accomplishments of the Ministry of Munitions, and the chief of its national manufacturing establishments is the National Factory at Gretna which, fortunately, the Government has decided to maintain as a national asset.

At Gretna the Ministry of Munitions, in view both of the high cost at which we were compelled to buy explosives from America, and the uncertainty which attached to oversea supplies through the submarine campaign, built a great explosives works which proved to be an industrial triumph. The results, as officially expressed in figures in answer to a question in the House of Commons on February 26, 1920, are remarkable enough. The total capital expenditure on the factory was £9,230,143; the working costs from first to last were £14,846,697; the value of the cordite produced was £16,690,246. The cost of this cordite, if it had been bought from America, would have been £26,253,686. Thus, if the capital expenditure be added to the total working costs, the two together come to £2,176,846 less than the product would have cost if bought in America, to say nothing of the risks that would have been run, there being no guarantee that the foreign supply could be maintained. Thus the nation is in possession of this enormous factory, in effect, for less than nothing.

The Gretna works are eight miles from Carlisle. Work was begun in the autumn of 1915. As in other cases, working under circumstances of difficulty unknown in time of peace, the State built an establishment which is a miracle of efficiency, organization, and even beauty. The muddle and mess which characterize so large a proportion of our private

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industrial establishments were unknown at Gretna. The works turned out 1,000 tons of cordite per week, not to mention other products, under ideal conditions, both from the point of view of industry and of society. The Ministry of Munitions proved, as at Woolwich and elsewhere, that the housing of the people is not difficult when you determine not to conjure houses but to build them. Accommodation of one sort and another for 13,800 people was erected. Just as the factory was remarkable for its efficiency and power, the new townships of Gretna were distinguished by their comfort, cleanliness, and beauty. It was proved in practice that there was not the slightest need for a chemical works to destroy the loveliness of rural England.

And as with the works and the houses, so with the workers. Every possible device to protect the workpeople was adopted, where, if the factory had been a private one, inspectors would have vainly pleaded and prosecuted. The women and girls employed were carefully trained and protected while at work, so that, in spite of the terrible danger of the work, there were very few casualties. Provision was made not only for work but for social life. A great kitchen was established with an output of 14,000 good meals a day; the bakery had a capacity of 13,000 loaves a day. Provision for rest, recreation and amusement was thoroughly organized. Two halls were built, one of them a beautiful building with a seating capacity of over 1,000, and there were two picture palaces. An institute was established with rooms for billiards and other indoor games, reading, etc., and the recreation grounds were well-equipped and extensive. For the women there were separate rooms with comfortable lounges and work-tables equipped with sewing machines. In the winter all sorts of entertainments were organized, from concerts to lectures, and from dances to dramatic performances.

In point of size, the nature of the work and the enormous call for the products made it one of the greatest in the country. Over 9,000 acres were acquired and the actual work was done in a guarded space of 2,800 acres. Altogether a working model of reconstructed industry; an ideal reduced to practice; a beautiful thing arising from the ugliness of war. Because, I suppose, it was so magnificently success-

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ful, the public has been told very little about it. Who can doubt that if the people of the United Kingdom could have been conducted through Gretna in August or September of 1918, they would have demanded with one voice that all the industries of the country should be conducted with similar efficiency?

The extraordinary profits from the manufacture of explosives may be gathered from the following report of a speech by the chairman of Nobel's Explosives Co., Limited, at the fortieth annual meeting of the company on May 30, 1916:

"Reviewing the history of the company, the chairman stated that it might be interesting to recall that an original investment of £100 in the 1872 company now represented a capital interest in this company of £3,000 in ordinary shares, and that the dividend paid on that capital investment during the forty-five years had amounted in all to upwards of £8,500. Such figures inspired confidence in the solidarity of their undertaking and its future."

§ 5: Story of a White Elephant

The case of the State motor transport depot at Slough neatly illustrates the hostility exhibited even to business men when, as servants of the State, they do a good stroke of business for the nation. The establishment of the Slough depot was commended by the Parliamentary Select Committee on National Expenditure, which reported on August 7, 1918. It pointed out that the great accumulation of motor vehicles, the enormous value of the materials, and the lack of adequate workshops and warehouses, fully justified the enterprise. After considering possible alternatives, the Committee stated that there was no satisfactory alternative to the establishment of a central depot, and that "the case for the depot has been fully made out." Indeed, they added that the proper criticism was that such a workshop should have been established long before, as no doubt it would have been but for the extraordinary dearth of materials and labour.

Later the wisdom of the enterprise was criticized, and

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a Joint Select Committee of both Houses of Parliament investigated the subject and reported on July 3, 1919. This Committee did its worst to find fault, but the evidence put before it in favour of the depot was so striking that the Committee's report very carefully hedged, for it was shown to be exceedingly likely that large profits would be made by the State. In conclusion, the Committee, while expressing the opinion that the decision to continue the works after the Armistice was taken without sufficient consideration, said:

> "They feel that the provision of this large central depot, well equipped for dealing with all forms of motor transport, may prove to be a national necessity and a national asset."

Further, a Sub-Committee with expert assessors considered the estimates and reported that there would be a net profit of £340,000 in the first year's working, although they questioned whether that rate of profit could be long maintained. A few months later came the amusing sequel. It was suddenly announced that the Slough depot, which had cost the Government £2,500,000, had been sold for £3,350,000 to a private syndicate, the nation thus realizing a profit of £850,000. In addition, the syndicate bought the whole of the motor transport and spare parts remaining unsold belonging to the Munitions Disposal Board for a minimum sum of £3,650,000, this amount to be increased proportionately according to the sale price realized by the buyers on the re-sale of the vehicles. It was also announced that the total sum which had so far been realized by the sale of motor transport at the date of the sale of the depot, including this sum of £3,650,000, was as much as £17,650,000, of which £4,500,000 was in respect of motor vehicles which had been repaired at Slough since the work commenced only nine months before. It is possible to judge from these figures the reasons why private enterprise violently objected to the Government making profit for the nation.

It is clear that Lord Inverforth and the Committee on National Expenditure were fully justified in their belief in the depot, and the nation has profited handsomely by the transaction. It is exceedingly unfortunate, however, that

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the opportunity to establish an ideal State industry was lost. As Lord Inverforth pointed out to an interviewer in *The Observer* on April 11, 1920, national enterprise in the matter had done what private enterprise had failed to undertake. He said:

"The depot was established at a time when things were going badly for us on the Western front. . . . No one in the motor industry was willing, seemingly, at that time, to establish such a depot. Perhaps the risk was considered to be too great, despite the fact that British victory, ultimately certain, was bound to produce a widespread demand for motor transport of all kinds, resulting in a great and profitable business in repairing and adapting damaged military motor vehicles for immediate use in this country. Apparently also it was not foreseen that the experience gained during the war would bring about a revolution in transport, and that the future of the inland carrying trade would be with the motor vehicle.

"It was with these certainties before me that I decided, in view of the national necessity of the moment and the transport necessities of the future, to establish the Slough depot, and my action has been fully justified by the price I have secured for it."

The value of the Slough depot was well known to the purchasers. The purchasing syndicate was headed by Sir Percival Perry, who was deputy-chairman of the Mechanical Warfare Department, and Director of Traction to the Ministry of Munitions in 1917-18. Thus what some sections of the Press alleged to be a white elephant was sold at a good price to a man who thoroughly well knew what he was buying. The Slough depot should never have been sold; it would have yielded to the nation a great and growing dividend.

§ 6: The Ministry's Care of the Workers

The work of the Ministry of Munitions was crowned by the attention which was given to the health and welfare of the munition workers. In the conditions which obtained

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the anxious heads of the Ministry, from Mr. Lloyd George onwards, might have been pardoned if they had left things in this regard very much as they found them. The factory system was well established by the close of the eighteenth century, and when the Munitions of War Act was passed in 1915 nearly five generations of the Industrial Revolution had been accomplished. Parliament had from time to time enacted various measures of interference with the right of the employer to do what he liked with his own, and with the aid of a skeleton staff of factory inspectors some poor attempts had been made to render the conditions of industrial employment decent and safe. Capitalism for the most part, however, had done as little as it could, and the instances in which firms had given any considerable attention to the comfort of their workpeople while at work, to the provision of canteens, or to the proper housing of their employees in cases where the conditions of industry gathered workers together in a new industrial area, were so few as to stand out as isolated bright spots in a dark picture of neglect and indifference.

It was to a disgraceful heritage of deplorable working conditions that the Ministry of Munitions succeeded, and it had to cope with them in the exceptional circumstances of war, when material and labour for the improvement of industrial hygiene were hard to come by. If, therefore, a Minister of Munitions had pleaded in such circumstances that he could hardly be expected to attempt to right in war time the cumulative effects of a century and a half of neglect, he might well have been excused, for, as I have shown, he was hard put to it to satisfy the call for power, labour and materials with which to produce munitions.

It is entirely to the credit of the first Minister of Munitions and his successors, and a striking tribute to the spirit of national organization, that the manufacture of munitions under national auspices was accompanied by so many successful experiments in industrial hygiene. In many respects the Ministry did more for "welfare work," as it is sometimes called, in three years than capitalism had accomplished in five generations, and it is pleasant to think that something of the spirit which was introduced by the

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Ministry has remained in some of the establishments which it lately controlled. So much progress was made that in the closing stages of the war as many as one million workers a day were fed in industrial canteens, which had been almost entirely called into existence by the activities of the Liquor Control Board and the Ministry of Munitions.

All over the country a network of welfare and health officers steadily improved local conditions, and by comparing experiences in conference helped to raise the general standard. The work of women, girls and boys received special attention. Housing officers did much to relieve intolerable conditions of discomfort. By the end of 1917 some 250,000 boys had come under the authority of the Ministry, and a great deal of good work was done amongst them, which has now, unfortunately, come to an end. Research sections were formed to study such questions as industrial fatigue and food values. Never before had such work been seriously undertaken in this country. Some of the results are available in official papers, as, for example, in the valuable series of memoranda published by the Ministry relating to the work of the Health of Munition Workers' Committee, dealing with such matters as Sunday labour, canteens, female labour, hours of work, industrial fatigue, ventilation, lighting, sickness, accident, washing facilities, and so forth.

A perusal of these documents will help those unacquainted with the conditions tolerated under capitalism to appreciate the need for reform. Thus the Memorandum on Ventilation and Lighting of Munition Factories and Workshops (Cd. 8215 of 1916) remarks:

"It has long been recognized that efficient ventilation of factories and workshops is essential for the maintenance of the health and comfort, and therefore of the efficiency and capacity, of the workers, and general regulations to secure this result are contained in the Factory Acts. The inquiries of the Committee, however, have led them to believe that the attention paid to ventilation and to the closely associated problem of heating is in the majority of workshops insufficient, the ends to be aimed at are frequently misunder-

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stood, and the means of securing them in consequence ill-directed or altogether neglected."

The truth on this head is that a large proportion of our factories and workshops are as unhealthy as the houses which surround them.

It is good to think that such work was done; it is unfortunate to have to add that, despite the formation of a Ministry of Health, the work can no longer be continued under the special conditions of national organization which enabled devoted men to act directly and by way of command where now the State can do little more than make representations.

Doctor Edgar Leigh Collis, who was a factory inspector from 1908 to 1917, and from 1917 to 1919 Director of Welfare and Health at the Ministry of Munitions, gave some striking testimony to the Coal Commission as to his experience with National Factories and controlled establishments. The nature of the Excess Profits Duty assisted his work by making employers more inclined to spend money upon structural alterations needed to give comfort, or upon medical officers and nurses, because such expenditure could be charged, in whole or in part, against working expenses when calculating profits for the purposes of the duty. Even so, he found it "easier to obtain the improvements desired in National Factories than in controlled establishments."

The establishment by the Ministry of a Maternity Sub-section led to some exceedingly fruitful experiments which were possible because State factories existed in which to carry them out. The National Birth-rate Commission of 1918-1920 took some valuable evidence on this head from Miss A. G. Philip, the Director of the Sub-section, and once more, as in many other directions noticed in this volume, we find the State institution progressive and enterprising where the profit-making institution was negligent. Miss Philip, giving evidence on October 28, 1918, told the Commission of the extraordinarily good work which was being done at the three National Ordnance factories at Leeds, which she described as follows:

"It starts from the same point of view—that it is unwise to dismiss a woman, dependent upon her earnings, at the

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fourth month of pregnancy, and that it is the duty of the factory to provide suitable work for her up to a week or two of confinement. The three factories combined. One happened to have a certain amount of gauging work—light work, which is done sitting down. All the pregnant women in the three factories were put in the gauging shop at five months. For the remaining months a central sewing depot was established in a small building at the entrance to one of the three factories. All these factories have protective clothing for their women—overalls, caps, waterproof aprons and gloves, and this protective clothing is difficult to get and very dear. It was found possible to produce all this clothing at a low cost by concentrating the labour of these women in that department. The experiment has now been in existence for six months, and it is being watched with the greatest interest by all of us, because it appears to offer such a simple solution of a very difficult part of the problem." [1]

She went on to point out that when the women realized that such provisions were made, and that it was to their advantage to reveal their pregnancy, "very many more pregnancies were discovered in the factory than were ever suspected before," from which we may gather how dreadfully thousands of unborn children have to suffer in the ordinary industrial life of the profit-making factory because the women conceal their condition to enable them to go on earning money. And the scheme proved to be a financial as well as a hygienic success. It was found that the sewing depot was able to produce the protective clothing at a cheaper rate than it could be bought in the ordinary way of trade, and that although the pregnant women worked short hours suitable to their condition and had to be taught the job from the start; this throws light upon more than the problem of pregnant women in industry. In view of the accomplished results, I invite attention to the following words added by Miss Philip in her evidence:

"When they get a building large enough to allow for extension the scheme will be able to include the breast-feeding period. After the birth the women will go back to the sewing

[1] "Problems of Population and Parenthood," being the Second Report of the National Birth-rate Commission, 1918-1920, page 138.

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depot, where a breast-feeding nursery will be arranged, and the mother will continue upon this light work until the child can be safely weaned."

Alas, Miss Philip was speaking on October 28, 1918. The Armistice came on November 11, 1918, and State production and State enterprise were brought to an abrupt conclusion by the decision to hand over the National undertakings to the private capitalists who, amongst other things, had so shamefully neglected the health of women working in industry.

The National Factories have now been sold out without conditions made as to whether the old conditions of work under the State shall be continued or not. No doubt the good work done by the Ministry will not fail to make its mark upon British industrial conditions, but the winding up of the National Factories has meant the loss of opportunity to establish model industries, for if so much could be done despite the special difficulties of a time of war, how much more could have been done by the same enlightened national administration applied directly to industrial problems in time of peace.

It is impossible to exaggerate the importance of this department of our subject matter. The social work accomplished in war time under nationalization has affected for good the lives of many. At the official Welfare and Health Conference held at Oxford at the end of 1918 one of the Ministry's housing officers, who had himself lived in one of the men's hostels, pointed out how the standard of life of a very rough type of men had been raised by a decent service of meals at a clean table in a room brightened by a few flowers and pictures. "They are beginning," he said, "to want those things at home." I once heard a very similar thing said at the Admiralty during the war. A filthy vessel had been taken over from some interesting private proprietor and made decent for the national service. The effects upon the rough diamonds who worked her were as striking in their way as those observed by the Ministry of Munitions officer in connection with canteen work. The men rapidly reacted to the new and better conditions which had arisen solely as a consequence of national service in war time.

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CHAPTER V

THE NATIONALIZATION OF SHIPPING

§ 1 : The Heel of Achilles

IT was not until the first two years and five months of the war had elapsed that a Ministry of Shipping was established. In no department of the national economy had doctrinaire individualism worked greater harm than in respect of the measures necessary to secure our sea-borne supplies. Even to-day few people realize how nearly vulnerable our sea-defences proved to be. As for the future, we may happily escape war, but the vulnerability of British wealth lies not only in the possibilities of scientific naval warfare, but in the fact that the British economy depends upon the maintenance of oversea supplies which we are making no attempt to secure. That is a matter to which I shall return in these pages; at this point I am concerned with the extraordinary history of British shipping in the war.

Between August, 1914, and the end of 1916 there were various half-hearted attempts to deal with ships and their cargoes.

The Admiralty Transport Department had, of course, to requisition many ships for the transportation of troops and war material and as naval auxiliaries, colliers, etc.; this created a serious and growing shortage of tonnage. The fact that the Government was compelled as soon as war broke out to become the national sugar merchant led to the requisitioning of vessels to carry the State sugar purchases. Later on vessels were requisitioned to carry wheat, nitrates, etc., for the State. Thus there came to be a considerable amount of in-and-out requisitioning. Many vessels were wholly requisitioned; others were requisitioned for a special voyage or service. Every endeavour was made by the Admiralty Transport Department to distribute the requisitioning

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in such fashion as to economize tonnage and to deal equally with the different shipowners. The requisitioning was done at what came to be called "Blue Book Rates." These rates were arbitration prices settled by Admiralty Committees consisting of shipowners, who dealt not too cruelly with their industry. Liberal as they were, however, the Blue Book Rates were far below the extravagant market rates caused by the shortage of tonnage, and it was important, therefore, for the Transport Department to distribute its favours with an even hand.

It will be understood that as the submarine campaign developed it became necessary for the Trade Department of the Admiralty to direct routes to avoid the U-boat attack.

Another matter which the Government was driven to deal with early in the war throws an interesting light on the contest between public and commercial interest which normally obtains, but which is accentuated by war. As soon as the war broke out British ships were sold in considerable numbers to foreigners. Some hundreds of thousands of tons were thus lost to the nation. A much larger amount would have been lost but for legislation. In 1915 the Board of Trade took power by the Transfer Restriction Act to prohibit such sales. Even this did not suffice to stay the evil, for the Act was evaded by ingenious gentlemen selling ships to companies nominally British but under actual foreign control. A further Act was necessary to stop this particular form of private enterprise, but its passage in 1916 did not give the Government complete powers, which were not possessed until the Ministry of Shipping was formed. Until almost the end of the war the Shipping Controller had to exercise authority to prevent the loss of British tonnage by transfer.

The haphazard and tentative arrangements referred to were further complicated by the fact that when the Board of Trade began to buy meat in enormous quantities for the Army, that Department requisitioned not ships, but the refrigerated space in ships, at special rates of hire which were higher than the liberal Blue Book Rates but lower than the market rates.

The work of the Admiralty Transport Department was done in concert with a Ship Licensing Committee which was

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set up in November, 1915, to control the voyages of British ships by a licensing system. Generally, cargo liners were left very much to their own devices, but the roaming cargo vessels familiarly known as "tramps" came to be largely controlled. November, 1915, also saw the establishment of the Requisitioning (Carriage of Foodstuffs) Committee. This body, charged with the important duty of securing tonnage for the carriage of cereals, etc., was responsible to the Board of Trade. A month later (December, 1915) the Port and Transit Executive Committee was set up to deal with port difficulties and delays.

Yet another month later (January, 1916) the Shipping Control Committee was appointed to co-ordinate these various and partial exercises in the control of tonnage, and generally to supervise the shipping problem. This body was given powers of representation to the Cabinet, but, strange as it may appear, it had no powers of administration and no staff. It consisted of three shipowners, a chairman and a secretary. It is proper to say that it made a number of important representations, but it was not an executive body.

At last, in December, 1916, the Ministry of Shipping was formed and given full authority in matters of tonnage. The Shipping Control Committee continued in being, and became a sort of Cabinet to Sir Joseph Maclay, the Shipping Controller.

§ 2: Peril—at a Heavy Price

At the outbreak of war the mercantile marine was one of the main contributors to British wealth and an essential link in the economic chain which sustained a great people. Basing industries on coal power, we created an export surplus which was sold abroad to pay for imports of food and materials to feed our people and our factories. More than one-half our food and more than three-fourths of our materials were imported. Thus we had great and bulky imports which employed much shipping. As to exports, however, our manufactures, having small bulk relatively to value, failed to balance the great volume of imports. It was the exportation

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of coal, which reached 77,000,000 tons in 1913, which furnished bulky export cargoes and made outward voyages profitable. Indeed, probably two-thirds of the cost of running our cargo ships was met by coal exports. These exceedingly favourable factors, combined with the excellent geographical position of the United Kingdom at the gates of Europe, and its good ports, made us easily first amongst the maritime nations. We began the war with a tonnage which amounted to about one-half of that possessed by all the world.

A great mercantile marine, however, resolves itself, on analysis, into a remarkably small number of units of any considerable capacity. Thus, while there were some 10,000 ships on the British register in 1914, only 5,000 of these were ocean-going, and of vessels of 1,600 gross tons and over, we possessed no more than about 3,900 when the war began. Our safety thus depended upon the security of a number of vessels which a man of ordinary powers of memory could easily divide up by trade groups and memorize. Regarding the world as a chessboard and the ships as pieces, no great capacity was required to visualize the entire British mercantile marine.

The manning of the ships was in many respects open to grave criticism, which, indeed, was often heard before the war. The great growth of the British maritime power was not accomplished by any proportionate increase in the number of British seamen. In 1872 the British white men employed by our ships numbered 183,000; in 1912 the number was 209,000. In the same period the number of foreign white seamen employed rose from 20,000 to nearly 31,000, while the number of Lascars and Asiatics rose from a small but not precisely known figure to 47,000.

It is not surprising that so much has been written with regard to the profits of British shipowners since 1914. On this head, however, it is necessary to say that accusations against shipowners as a class, as though they possessed a double dose of commercial sin, are ill-advised. Shipowners are moved by exactly the same considerations as other men, and if they differ as a class from others engaged in commercial affairs, it is in that the very nature of their industry is likely to give them a broader outlook than is possessed by the aver-

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age commercial man. It has also to be said that during the war a few of our leading shipowners gave themselves to national work with a devotion and ability to which it would be impossible to pay too high a tribute. In this, as in other matters, it is not the individual that we have to criticize, but the system which the individual works.

It is quite true, however, that the war, which brought heavy and often terrible loss to so many of our people, created exceptional and unprecedented conditions of profit for our shipowners. Unfortunately, instead of taking over all the ships at the beginning of the war, the Government took the course which has been described and which necessarily led to the raising of freight rates. A proportion of the ships was requisitioned for Government purposes, thus creating a shortage of shipping for commercial purposes. By the end of 1914 about 20 per cent. had been requisitioned and freight rates had consequently doubled.[1]

The effect of the requisitioning of a proportion of British ships was later accentuated by heavy enemy depredations. Ships came to possess an extraordinary monopoly value. As their earnings rose, their market value rose.[2] Old ships which cost a few pounds a ton many years before could be, and were, sold for extravagant prices. Many shipowners sold out of the trade and retired with enormous fortunes, directly a

[1] It should be remembered that shipowners were in for hard times when the war broke out. The following is from *Fairplay*, the weekly shipping journal (December, 1914):

"This year (1914) is after all going to be a fairly good one for owners. Up to August (1914) freights were anything but satisfactory, and a continuance of such trading to the end of this year would not have enabled owners to do much more than cover their depreciation, and possibly pay a very small dividend of 2½ or 3 per cent. War, however, has as usual not been an ill-wind for shipowners."

A month later (January, 1915) the same organ was pointing out that "the rates of freight obtainable almost appear to be anything an owner cares to ask."

[2] The following is an extract from *The Financial Times* of July 21, 1916:

"The London and North Western Steamship Co., Limited, has issued notice of resolutions proposing the sale of the entire fleet for £1,250,000, which, with other assets, will produce about £2,000,000. If the resolutions are carried this will allow £2,000 to be paid to each director, £250,000 to Messrs. Pyman Brothers for loss of management, 30s. for each preference share, and about £50 for each ordinary share. The ordinary are of £10 denomination, most of them being £7 paid and standing at over £10."

The capital of this company in January, 1915, was 25,000 ordinary shares of £10 each, £7 paid; 5,000 ordinary shares of £10 each, £5 paid; and 100,000 preference shares of £1 each; total, £300,000.

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product of the war. Again I do not suggest that those who made these fortunes were any worse or any better than men engaged in other occupations. But the facts remain. It is the Government of the day that must be held responsible for the conditions which they themselves largely created and which they could not but be aware of. If the shipowners had not taken advantage of the condition of the shipping market, they would merely have handed excessive profits on to others. For example, if the owner of an unrequisitioned ship had kindly conveyed imports for merchants at Blue Book rates, the merchants would have taken the margin instead of the shipowner.

On this head Mr. Bonar Law, in his Budget statement of May 2, 1917, said:

"In connexion with the Excess Profits Tax there is one particular branch of industry of which I must say something —that is, the shipping trade. Public opinion, opinion in this House, an opinion which I share, is that there is no trade probably which has made such big profits during the war, profits which have been so directly due to the war. For that reason this trade is now being treated in a special way. It is easy to be wise after the event, and in my opinion we delayed too long in taking over the control of the shipping."

In this passage Mr. Bonar Law referred to the decision which had been taken in February, 1917, no less than two years and seven months after the outbreak of war, to do what ought to have been done at the beginning, viz., to requisition all British shipping at Blue Book rates. This had followed upon the formation of the Ministry of Shipping at the end of 1916.

I was astonished beyond expression to find, when I went to the Ministry of Shipping in December, 1916, that, up to that time, only one-half of our ocean-going ships had been requisitioned and that the other half was still earning the exaggerated rates of hire which were a consequence of the war. I had understood, before I took office, that the Government had for practical purposes requisitioned all the ships. It came as a complete surprise to find that as to one-half, our ships were merely under a nominal control by licence, which

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meant, for practical purposes, that they were trading in their accustomed routes.

Mr. Bonar Law on May 24, 1917, on the Second Reading of the Finance Bill, gave his own experience of shipping profits in a very interesting passage, which I quote from the official report:

"I do not think there is anyone who knows anything about ships who would question this: that shipowners have been allowed to make profit directly arising out of the war which we ought not to have allowed them to make. . . . As a rule, during the three years which have elapsed since the war began, shipowners have made the whole of their capital; they have made the equivalent of 33⅓ per cent.; and that after paying Excess Profits."

Hon. Members: "Oh! Oh!"

Mr. Bonar Law: "Well, my hon. friends opposite ought to know better than I do, for they are shipowners; but I am going to give to the House what I did not intend to do, and what will, perhaps, interest hon. members. It so happens that when I was in business in Glasgow, I myself had certain small investments in ships. When I mention the rate per cent. of profit, the House will think that I must be a rich man. Perhaps I had better disabuse them of that idea. The total amount of the investment was only a few hundred pounds in each ship. I was a shareholder in fourteen ships. Taking the average of those ships, all of them paying well, the rate of dividend I received last year was 47 per cent., after paying the Excess Profits Tax. I do not say that that is typical of the whole shipping community. . . . For every £100 I put in I received £47 last year after Excess Profits had been paid."

As Mr. Bonar Law said, not all shipping investments yielded this rate of profit. On the other hand, some yielded much more. Excessive profits indeed became the rule. Down to the time when, early in 1917, the Ministry of Shipping took over the entire mercantile marine and made it serve national purposes, the shipowners had made a profit of about £350,000,000 in the thirty-one months since the beginning of the war.

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We may contrast with this figure the pre-war value of the British mercantile marine. All the ships, including coasters, had a value of about £170,000,000. That is to say, the profits of the shipowners down to the time when the order for complete requisitioning was given, were equal to twice the pre-war value of the ships. In the same period about £300,000,000 had been added to the capital value of the ships.

The fact that what should have been the nation's mercantile marine was privately owned made it necessary for the nation to compensate the shipowners who lost ships in the national service. The result was that when the Germans destroyed a ship they inflicted a severe loss upon Britain and the Allies while they largely increased the profits of the shipowner. When a fully requisitioned ship was sunk, the Government, bearing the war risk under the Blue Book terms, compensated the owner and had to do so, not at the original value or the original value less depreciation, but at the war value, which rapidly mounted as tonnage declined. In 1914 a cargo vessel could be built for about £6 per ton deadweight. By the middle of June, 1915, this value had doubled; a year later it had doubled again to £24 per ton!

On February 17, 1919, the representative of the Ministry of Shipping in the House of Commons said that £104,000,000 had been paid to shipowners between August 4, 1914, and the Armistice as compensation for the loss of fully requisitioned ships which had cost £51,000,000, but which had, of course, suffered heavy depreciation. These great gains were never taxed. It is true that many shipowners invested the compensation money to rebuild ships after the war at great cost; others, again, pocketed the money as a windfall with no intention of rebuilding. Thus when a German submarine sank a food ship it meant deprivation for the nation, but it put a fortune into the pockets of the ship's owner. Let us say that it was a ship of 8,000 tons deadweight (equal to about 5,000 gross registered tons). If it was built a few years before the war it cost about £40,000. If it was sunk in 1917 the Government had to pay the owner about £150,000.

The new interest in spiritualism might well exercise itself concerning the cases of ships which although at the bottom of the sea are still earning large dividends. A shareholder

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in a small shipping company has been kind enough to give me particulars of the remarkable earning capacity of a certain small ship which the Germans sank in the war. This particular vessel, as is not uncommon in the shipping trade, had the honour to be owned as the sole property of a limited liability company, which affectionately named itself after her; it will appear that the affection was not unrequited. The lady's name I will not disclose; let her here be called the *Mary Jane*. The rest may be told in the words of the shareholder:

The ss. *Mary Jane* has for some time been at the bottom of the sea.

After settlement with the Government for the loss the company found itself with more than five times its nominal capital in hand.

The greater part of the capital thus augmented was invested by the Directors in War Securities.

In January, 1918, the balance-sheet not being, I believe, in the hands of non-attending members, who, therefore, were unaware of the financial position, resolutions introduced by the Directors were passed, giving the Directors £1,500 per annum out of the interest upon the company's invested money, chargeable as *expenses of management*. Result: Whilst the balance-sheet of October 18, 1917, shows receipts, £14,329 10s. 5d.; expenses, £5 2s. 4d.; dividends, £2,360; the balance-sheet of August 30, 1919, shows receipts, £6,809 7s. 3d.; expenses, £1,535 14s. 3d.; dividends, £2,560.

For that year, therefore, the three Directors received £1,500, the main work being the disbursement of £2,560 in dividends out of £6,809 received in interest. No depreciation was possible, but nearly £2,000 added to the reserve. The question arises: Is this method of working fair to the shareholders?

In the opening pages of this volume some reference was made to the relation of interest to physical science. The ss. *Mary Jane* is clearly a case for the Psychical Research Society. She conjures the elements. She does much more than call spirits from the vasty deep. She shows how gold may be distilled from sea-water.

A recent shipping company's prospectus also illustrates, if in more prosaic fashion, the nature of the fortunes that have been made in the shipping trade. The Western Coun-

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ties Shipping Company, Limited, issued in 1919 £1,976,000 of new capital for subscription in December, 1919 (raising their total issued capital to £2,250,000), to acquire the thirteen Moor Line boats. The prospectus showed that the thirteen vessels, with four others already in the company's possession, had a tonnage (deadweight) of 105,635 tons, and that a licensed valuer puts their value in 1919 at £2,400,000, or an average of over £22 per (deadweight) ton. If these vessels had all been new in 1914 when the war began, they would then have been worth about £6 per ton, or £633,810. But the prospectus shows that the vessels were built at dates ranging from 1894 to 1915; eleven of them were built before 1910. If the war had not occurred they would have been worth in 1919 much less, therefore, than £633,810. Yet a company with a capital of £2,250,000 was floated in 1919 to acquire them, and the promoters expect to be able to pay 6½ per cent. on £1,000,000 of mortgage debentures, and, in addition, 20 per cent. is named as a likely dividend on the ordinary capital. Thus the exigencies of war first poured enormous gains into the pockets of shipowners and then enabled shipowners to capitalize undertakings at such figures as call for a great draft upon the produce of future labour.

If these vessels had belonged to the nation no war valuation would ever have arisen and no source of labour unrest would ever have been created in respect of the manufacture of dividends.

It would be a pity, however, if we allowed our attention to be concerned solely with the question of commercial profit. It was not only that we were paying to the shipowners the value of their ships over and over again, but that we were paying a high price, not for safety, but for danger.

§ 3: How Safety was Secured

Unfortunately, those who were charged with the safety of the nation early in the war did not perceive that it was even more important to requisition our ships than to control our railways. As late as January 19, 1916, in the eighteenth

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month of the war, the then President of the Board of Trade (Mr. Runciman) made the following statement on the subject in the House of Commons:

"There is a serious shortage of the world's tonnage as compared with the world's requirements. We went fully into the question of commandeering the whole of British tonnage in order to regulate freights, and came to the conclusion —a conclusion which is, I believe, confirmed by all the experts who have studied the question—that this particular remedy would only aggravate the shortage of tonnage available for the United Kingdom and the Allies. It would, in short, make things worse."

Much more than the "regulation of freights" was concerned in the matter. What the nation needed was to use its ships to the best advantage; to trade them in such routes as would yield the largest cargoes; to make stores against the possibility of siege. It was not until more than another year had elapsed after this utterance that a Ministry of Shipping, charged with the duty of disposing our ships to the best advantage, requisitioned the whole of British tonnage and proceeded to make such dispositions as at once gave the largest cargoes and the most safety.

It will be perceived that it was with ships as with shells; to pay high prices did not secure by our ships the imports we needed, any more than to pay high prices to munition manufacturers for shells secured us the shells that we needed.

The Government of the day could not plead that it did not know the dangers of the situation. There was, indeed, a "serious shortage of the world's tonnage."[1] Early in 1915 the submarine menace had been revealed. There had been serious losses. In the first five months of the war we had lost 241,201 tons. In 1915 we had lost 855,000 tons. In January, 1916, we lost 62,288 tons, while our shipbuilding

[1] In May, 1915, I sent to every important newspaper in the country a considered statement of the subject, pointing out, *inter alia*, that "Germany has the plant and the men to produce and to employ hundreds of submarines; her army is winning the time for their construction and use," and suggesting that it was urgently necessary "to change the status of the whole of the British mercantile marine, and to bring it under the effective control of the Admiralty, arming every ocean-going ship." It was published by, amongst other organs, the London *Evening News* and the *Manchester Guardian*.

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had sunk to a very small figure. There was every prospect of further and graver loss. It was urgently necessary to economize tonnage, to select imports, and to build up stocks. A little later, as I have already shown (page 39), there was being placed before the Government (every Department concerned in the matter was represented upon the Committee), strong representations as to the steps which obviously suggested themselves. It was in vain. The months went by, and the losses proceeded in this fashion :

	British Merchant Ships. Gross tons.	*British, Allied and Neutral Merchant Ships.* Gross tons.
1914 (Aug.-Dec.)	241,000	311,000
1915	855,000	1,300,000
1916 January	62,000	93,000
February	76,000	131,000
March	99,000	170,000
April	141,000	193,000
May	65,000	123,000
June	37,000	113,000
July	82,000	118,000
August	43,000	160,000
September	105,000	231,000
October	176,000	355,000
November	169,000	328,000
December	182,000	349,000
	1,237,000	2,364,000
Total to end 1916	2,333,000	3,975,000

The submarine campaign was succeeding to an extent which caused the enemy to believe, not without reason, that he could bring us, and therefore the Allies, to ruin by destroying British ships, without which the Allies could not continue in the field, and by frightening neutrals out of our waters. The Germans knew well the economic position. If the tonnage link could be broken Britain would be promptly starved into surrender, while France and Italy, deprived of coal, the mainspring of modern industry and war, would almost as quickly be compelled to cease hostilities.

The losses continued to increase. The formation of the

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Ministry of Shipping took place just before the inauguration of the German "sink-at-sight" campaign in February, 1917. The losses thus rose:

1917.	*British Merchant Tonnage.*	*British, Allied and Neutral Tonnage.*
January	154,000	359,000
February	313,000	536,000
March	353,000	603,000
April	555,000	875,000

In April, 1917, we lost 555,000 tons. To lose 500,000 tons in a month or 6,000,000 tons a year was the equivalent of losing cargo at the rate of 24,000,000 tons per annum. This meant that if the losses of April, 1917, had continued for another nine months the Allies could not have continued in the war. The peril was averted by the skill and courage of the men of the Navy and mercantile marine, working with many new inventions, and combined with the wise disposition of ships. Courage was a constant factor, and not less in April, 1917, than in September, 1918; but between these two dates courageous men were put to better use. The situation could not have been saved without that complete requisitioning of shipping which had been denounced by the President of the Board of Trade more than a year before as "a measure which would make things worse."

The requisitioning of the mercantile marine by the Shipping Controller, and his reorganization of the cargo liner trade, meant that British ships were nationalized as to use, and made it possible to take the decisive step which played so great a part in saving a desperate situation. It should be clearly realized that before the complete requisitioning of 1917 the cargo liners were running in their accustomed trades under licence, whether or not those accustomed trades were of any service to the nation in the war. For example, British ships were still plying between North and South America, earning for their owners a fortune for every voyage, when they ought to have been trading to this country to bring stocks to safeguard the nation against the submarine menace. Similarly, many ships were still pursuing the longest voyages in the world instead of being traded on short routes to bring in more imports to save us from imminent peril.

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The Nationalization of Shipping

On May 4, 1917, the concentration of shipping in the Atlantic was proposed as a practical policy calculated to give us the greatest advantage of the American alliance and the largest possible imports per ship employed. The proposal was referred by the War Cabinet to a special Committee under Lord Jellicoe and at once approved. It was put into operation and succeeded beyond all expectations.[1]

The theory was that as we were allied with the United States, and as the North American continent could supply so much that we required, it was possible, by concentrating ships in the North Atlantic, to secure far more imports than by using them in any other way. Moreover, the Atlantic concentration well served the purposes of the convoy system, which was inaugurated by the Admiralty about the same time.[2]

The result was that, in effect, we multiplied our tonnage. A ship taken out of the Australasian trade and put into the North American trade carried three times as much for us.

The advantages may be summed up as follows:

(1). It brought supplies to Europe from the nearest and finest market, North America, in effect turning one ship into two, three, or four.

(2). It lent itself to the convoy system and thus multiplied

[1] But let it not be supposed that this common-sense step was taken without opposition. One prominent business-man politician called it a "pious opinion." Another demonstrated to his own satisfaction that it would ruin the Allied cause. Fortunately it had the enthusiastic support of the Anti-Submarine Department of the Admiralty, of Lord Jellicoe, and of the then First Lord.

[2] The tardy adoption of the convoy system by the Admiralty has been freely criticized. It is not the province of this volume to deal in detail with Admiralty dispositions, but the convoy system was so largely bound up with the Atlantic concentration of shipping that I must allow myself, as one who was from the first an ardent advocate of the adoption of convoys, to add a footnote to history in this connexion. As I understood it, it was not that the Admiralty disbelieved in convoy, but that it doubted the ability of the masters of merchant vessels to co-operate. I believe, too, that many of the merchant captains themselves had grave doubts on the subject; I understood that at a conference of masters the practicability of carrying out the necessary operations was strongly questioned. It is probable that many of those who write on this subject have not considered the difficulty of keeping a convoyed vessel precisely in its station at night with all lights out. The success of the convoy system when eventually adopted showed that the difficulties had been much over-rated. It is obvious that if the mercantile marine had been a national institution convoy would never have been doubted.

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the value of the Allied naval forces again and again, concentrating defence.

(3). It made the American Navy one with that of Britain in anti-submarine work in the North Atlantic.

(4). It compelled submarines to operate nearer land.

Acting for the War Cabinet, Lord Northcliffe took the plan for the Atlantic concentration of shipping to the American Government in connexion with his special mission, and thus the United States, as the greatest and nearest supplier, and the European Allies, were linked in a scheme to counter the submarines. The American Government was encouraged to devote its energies to the ample supply of the European Allies, and did so with remarkable success.

In the House of Commons on January 29, 1918, I was able to inform Parliament of the extraordinary success of the North Atlantic convoys. The system had been so successful that, taking all the homeward-bound ocean convoys since its inception in the middle of 1917, 14,180,041 gross registered tons of shipping, with a deadweight capacity of 20,145,400 tons, had been convoyed to England and France with a loss, expressed in gross tons, of 1.44 per cent., or, expressed in deadweight capacity, of 1.57 per cent. And those figures included losses which had been occasioned by ships being sunk through the dispersal of convoys by bad weather.

Down to November 2, 1918, 47,000,000 gross tons had been convoyed with a loss of less than 1.1 per cent.; 8,846 vessels were convoyed and 102 of them lost.

So great, indeed, was the triumph of the Atlantic concentration that the amount of cargo imported into this country in 1917, *in British vessels*, was almost exactly the same as in 1916, although in the year 1917 the British tonnage available was 20 per cent. less than in 1916. In 1918 we contrived to bring over 35,000,000 tons of cargo into the United Kingdom, despite the carrying of an American Army to Europe.

Thus the nationalization of the use of shipping had proved to be the salvation of the Allies' supplies in the war, and therefore a supreme factor in the final triumph. It should be observed, however, that if the United Kingdom had possessed a National Mercantile Marine, as it possessed a National

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Navy, at the outbreak of war, the triumph would have been secured at a much earlier date.

The record of the tonnage losses in the war may now be completed:

Losses of Merchant Tonnage in the War

	British Tonnage.	*British, Allied and Neutral Tonnage.*
1914	241,000	310,000
1915	855,000	1,301,000
1916	1,237,000	2,364,000
1917	3,730,000	6,206,000
1918 (to November 11) ...	1,693,000	2,632,000
	7,756,000	12,813,000

In September, 1918, the British loss was 151,000 tons, and in the following month 59,000 tons. It should be observed that losses continued until the end. The submarine was never thoroughly beaten. In any future war we should have to meet more and improved submarines and an efficient attack from the air; but of this more hereafter.

As with the Ministry of Munitions, the results of Nationalization were put to a supreme test in the case of shipping in the dark days of March, 1918. I have pointed out (page 54) that the Ministry of Munitions was in a position to replace the enormous losses of material in a fortnight, but it was not enough to have the material ready. The cross-Channel organization, in spite of all that the enemy had done and could do, was so perfect that the Director of Transports (Sir Graeme Thomson, K.C.B., now Colonial Secretary of Ceylon) moved the great reinforcements of men, munitions and supplies with marvellous rapidity and without a hitch.

The American Government had ready the new army which had been raised to take part in the European conflagration. It was ready, but it was 3,000 miles away, and between lay the ocean and the German submarines, and our shipping was still growing smaller. The necessary arrangements were instantly made. The break in the line on the Somme occurred on March 21, 1918. On July 17, 1918, I was able to tell Parliament that the number of American troops brought

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to Europe in April, May and June had been 637,929, of which 330,956 had been carried in British ships. By the end of the war British ships had carried about 1,000,000 American soldiers to France.

Here again was work of the most deadly urgency which it would have been quite impossible to accomplish if the shipping conditions of 1916 had still obtained. It was the new disposition of shipping, and the transfer of many ships from far waters to the Atlantic, that created the possibility of bringing a great American army to Europe at the very moment that it was sorely needed.

§ 4: Getting the Cargoes the Nation Needed

It was not until the Ministry of Shipping was set up that a thorough attempt was made to confine the nation's imports to the commodities which it required. The Government appointed a Committee, under Sir Henry Babington Smith, to investigate the matter, and as a result of its work a drastic reform of the nature of our imports was effected.

Early in February, 1917, the Tonnage Priority Committee was formed at the Ministry of Shipping to co-ordinate the demands for tonnage put forward from time to time on behalf of the various Departments of State and of the Allies, and to adjust, as far as possible, the question of priority in case of conflicting demands. All the supply departments were represented on this Committee, together with representatives of the Treasury, the Colonial Office, the India Office, and the Board of Trade. It also included a representative of the Commission Internationale de Ravitaillement, the body which was formed in August, 1914, to co-ordinate the purchases of supplies by the Allies, and to prevent competition in purchasing in the same markets.

Each supply department made its demands upon the Committee for carrying capacity. These demands were aggregated and compared with the tonnage estimated to be available by the Ministry of Shipping in view of every cognate consideration—the probable losses through enemy

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attack, marine losses (which were gravely aggravated by the conditions of war), the expected new building, the possibilities of purchase, and so forth.

The allocations of British tonnage for Allied use were also taken into account. It was found in April that whereas the demands for tonnage carrying capacity amounted to 3,800,000 deadweight tons, the estimated available capacity was about 1,000,000 tons short of this. These figures will give some conception of the difficulties which the Committee had to face, and of the urgent necessity for careful selection of cargoes.

Meeting round a table, each Department was able to consider its own requirements in view of the aggregate requirements, so that adjustments were made and the tonnage rationed to the best advantage. The Committee had the benefit of surveying the situation as a whole, so that relative priority could be established with reference to every relevant consideration. When my Committee found it impossible to make final adjustment of the situation without reference to higher authority, a War Cabinet Committee sat on the issues, so that full responsibility could be accepted by Ministers for determinations made.

Difficult as this work was, it was satisfactorily accomplished, as the issue shows. The soldiers obtained their food, munitions and supplies. The civilian population was maintained in a fair degree of comfort. Essential trades such as the cotton industry had proper consideration, and were given such supplies of material as to preserve their existence.

This important work of selecting imports,[1] and of fitting them into an ever-decreasing quantity of tonnage, was almost entirely unknown to the public, to whom the real gravity of the shipping situation never appeared. Owing to the call of the Army, the Navy, and the Allies, only about one-half of the ocean tonnage of the British Empire, or, say, eight million out of the sixteen million tons, was available for the

[1] This policy was sometimes termed the "Restriction of Imports." That was a misnomer. The "restriction" was accomplished by the enemy; what we did was to select the best imports to be carried in the restricted space.

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supply of the United Kingdom with essential foods and materials for either war or civilian purposes. As the merchant ships employed by the Army and Navy could not be diminished, *the war losses fell entirely upon the shipping needed for supply*. In 1917 we had to make the most of an importation of about 34,000,000 tons. We had to build up a food reserve, for it was not safe merely to supply current requirements. So successfully was this accomplished that in the summer of 1917 we actually imported more grain and flour than in the summer of 1916. In June and July, 1917, we imported nearly 500,000 tons more grain and flour than in the same two months of the previous year, when we had so many more ships.

In 1918 an inter-allied import organization was completed (described in Chapter XIII) to meet a situation in which it became increasingly necessary to pool all the resources of the Allies. If the war had lasted into 1919 this organization would have continued to perform important functions in allocating supplies which were far short of requirements. Even as far as it went, however, the estimation and pooling of resources by a number of nations engaged in a common cause formed a valuable object lesson in work which will certainly some day be accomplished in peace for the world at large.

§ 5: The Status of the Seamen

Something has already been said about the manning of the British mercantile marine. Of the Ministry of Shipping, as of the Ministry of Munitions, it can be said that, in time of war, it accomplished more for the welfare of the workers than had been witnessed in many years of peace.

The Shipping Controller set up a Mercantile Marine Conciliation Committee, representative of shipowners, the seamen, the Board of Trade, and the Ministry of Labour. A sub-committee of this body was appointed to consider the possibility of forming a board to improve the conditions of employment of seamen and to establish, if possible, a national

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standard wage for seamen. The suggestion had many critics, but fortunately, also, a few devoted friends, including Mr. H. W. Griffin, of the Ministry of Shipping.

After protracted negotiations, it was found possible to settle a constitution, and the National Maritime Board took shape. This Board existed until 1919, when it was succeeded by a Joint Industrial Council.

The Board dealt with all classes of seamen, officers and men, except masters, whose case, unfortunately, the shipowners would not consider at the Board's deliberations. The work of the Board was not without effect for them, however, as the Shipping Controller fixed standard scales for the masters of vessels owned by the Ministry and these were generally adopted by shipowners.

The National Maritime Board was divided into four panels, dealing respectively with Navigating Officers, Engineer Officers, Sailors and Firemen, and the Catering Department. Upon each panel shipowners and seamen were equally represented. The chairman, appointed by the Shipping Controller, had no casting vote, and, when the two sides of a panel failed to come to a decision, the point at issue was referred to the Shipping Controller, whose determination was usually recognized and acted upon.

While the present writer was chairman of the Board, from November 22, 1917, until November 18, 1918, the Board held 130 meetings, at which standard rates of pay were arranged for almost the whole of the seafarers of the United Kingdom. The changes in the status of the seamen may be gathered from the fact that, whereas in 1914 the pay of an able seaman was about £5 a month, at the end of 1918 it was £14 10s. a month (in each case including food). The pay of officers was also greatly increased; in many cases it was sadly in need of improvement. The pay on railway boats was exceedingly bad.

At the meeting of April 29, 1918, a chief officer in the service of the London and North Western Railway, who had been twenty-eight years at sea, eighteen years in the company's service (the last ten years as chief officer), testified that his wages, including bonus, were only £4 14s. 6d. a week, made up thus:

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Chief Mate's Pay on a Railway-owned Steamship in April, 1918

Wages	£3	4	6 per week
Bonus	1	2	6 ,, ,,
Victualling		7	6* ,, ,,
	£4	14	6

* 2s. 6d. per day for three days while at sea.

On the same boats the second mate received only £3 17s. 6d. per week, the officer finding his own food. These rates, under the determinations of the board, which were most reluctantly accepted by the railway companies, were raised to £26 per month and £22 per month respectively.

As in the case of the Ministry of Munitions, the work of the Ministry of Shipping for the workers will remain after the Ministry has disappeared from the list of the Departments of State. But the nation ought not to be satisfied with that. The mercantile marine lost nearly 15,000 men in the war, as compared with the Royal Navy's 33,500, and it is impossible to pay too high a tribute to its services. Only a national mercantile marine can enable the nation to do full justice to those who work for it in an arduous and dangerous employment.

§ 6: Shipbuilding in the War

The value of national organization was also exhibited very strikingly in connexion with shipbuilding and ship repairing. Unfortunately the true position could not be clearly explained to the public until the close of the war, and much ill-informed criticism arose. It was not until after the Armistice that it was possible to show how, in spite of the considerable increase in labour in the building and repairing yards, it was not possible to achieve a greater output of new merchant shipping.[1] Here is a statement of the labour position at August, 1914, and at September, 1918:

[1] My speech in the House of Commons on November 14, 1918, gives an account of the matter.

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Shipyard and Marine Engine Workers

	Persons.
When the war broke out	250,000
In September, 1918	381,000
Added by State organization	131,000
Distribution of the 381,000 workers:	
On new naval construction	146,000
On naval repairs	53,000
On merchant repairs	66,000
	265,000
Leaving for new merchant work	116,000
	381,000

Despite the claims of the Army and of the munition works, as many as 131,000 workers were added to the shipyards and marine engine shops, raising the total number employed to 381,000.

What was never understood by the critics was that we had not merely to build new merchant ships, but

(*a*) To build war vessels to protect the merchant ships (146,000 men); (*b*) to devote much labour (53,000 men) to naval repairs; and (*c*) to repair (occupying 66,000 men) the great amount of merchant tonnage which the enemy damaged but did not actually sink.

The attack by submarines meant the building of anti-submarine craft of many types in great numbers, and an increasing measure of success was achieved as time went on. But the devotion of labour and material to this successful work necessarily restricted merchant output. For example, the number of Government standard ships completed was 145 by November, 1918, and only five of them were lost—one by marine risk. This splendid result could not have been achieved if we had built more merchant ships and neglected Admiralty vessels. If we had done so, the building would have been merely a gratuitous offering to the German submarines.

As to repairs, it was obviously more economic to devote a man to repairing a damaged ship than to new shipbuilding, and it was not realized how serious the repair question

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came to be. In January to September, 1918, nearly 20,000,000 tons of merchant shipping went through the repair yards, and the Admiralty repairs were equally heavy.

Now for the complete justification of the policy which was pursued. By comparing the net loss in April, 1917, when the nation was in imminent peril, with that which obtained in September, 1918, when the submarine had been subdued if not altogether defeated, we get:

	April, 1917. *Gross tons.*	*September*, 1918. *Gross tons.*
Merchant vessels lost	555,056	151,593
New merchant ships built ...	69,711	144,772
Net loss	485,345	6,821

Thus the disastrous position of April, 1917, was changed into one of safety.

As soon as he took office as Shipping Controller, Sir Joseph Maclay initiated the policy of standard shipbuilding, which was fully vindicated by the results achieved.[1] At first there was a good deal of mistaken criticism, but this largely died away as the advantages of interchangeability of engines, boilers, etc., were demonstrated. To quote a well-known shipbuilder: "There are practically no arguments of any moment to put against these advantages. Standardization is the only method for the most rapid and economical production of steamers." A well-known marine engineer put it: "The fact that the first vessel to be completed on the Tyne, the *War Rose*, built by Swan Hunter, is fitted with boilers built by their Neptune works, with engines built by ours, and the machinery installed on board by us, and the vessel completed six months and twenty days from the date of laying the keel, is a proof of the efficacy of this policy."

An interesting development of the standard ship was the "fabricated" vessel, built in straight-line parts which could be made in bridge-building and constructional engineering

[1] Merchant shipbuilding was successively under the control of Sir Joseph Maclay, Shipping Controller, Sir Eric Geddes and Sir Alan Anderson, Admiralty Controllers, and Lord Pirrie, Controller-General of Merchant Shipbuilding.

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works, to be sent to the shipyards to be there assembled and put together. The various parts of a straight-line vessel are made to precise standard measurements, and they make a perfect engineering job. The great merit in war time was that it enabled us to utilize inland engineering firms as shipbuilders. So greatly was this conception misunderstood that one Parliamentary critic criticized the "angles" of the fabricated vessel, despite the fact that even a very large model of a standard fabricated ship shows no angles whatever, the combination of short straight lines producing the effect of a perfect curve. Great credit was due to the Admiralty officials who designed the fabricated ship, and it is of special interest to observe that the idea was at once taken up in America, where nearly all the shipbuilding came to be of this type.

The subject of the fabricated ship brings me to the national shipyards, which were designed in the West of England, on the Wye and Avon, for the construction of this type of vessel.[1] The fact that the war terminated on November 11, 1918, should not make us forget that the date of the conclusion of hostilities could not be prophesied in advance. Indeed, the War Cabinet had made every preparation, as it was in duty bound to do, to carry the nation through another year of warfare. If the end had not come until the close of 1919 the national shipyards would have made a most important contribution to the national economy in a year in which, as we may now so easily forget, we should have been extended to the very limit of endurance. Even as it was, the arrangements made to construct fabricated vessels at Chepstow, Beachley and Portbury proved to be of great national utility. Our shipowners, unfortunately, rather scoffed, as the Americans did not, at the fabricated vessel, and at first would have nothing to do with it. After, however, the nation had organized the production of the straight-line material, it was claimed by shipbuilders under the pledge that they should have preference in material. The result was that a large amount of material made expressly for the building of ships in the

[1] The National Shipyards were begun by Sir Eric Geddes when in charge of merchant shipbuilding as Admiralty Controller.

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national yards was diverted to the private shipbuilders, who were then able to say with truth that work had not been started by the Government yards.

It should be added that when the Armistice came 80 new berths had been constructed, or were under construction, in private yards, and a sum equal to one-third of the total cost of the national yards had been presented to private shipbuilders to enable them to make extensions.

To return to the shipbuilding question as a whole, in spite of labour and steel shortages, national organization so increased our shipbuilding capacity in the war that at the end it had been increased by more than one-fourth. This will be clear from the following statement:

Growth in Shipbuilding Output

	1913. *Gross tons.*	1918. (12 *Mths. to Oct.* 31.) *Gross tons.*
Actual merchant output ...	1,932,000	1,582,000
Equivalent merchant tons represented by Admiralty work done	362,000	1,345,000
	2,294,000	2,927,000

If the nation had not been at war, such a development in five years would have been deemed remarkable. The result shown was achieved in circumstances of extreme difficulty.

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CHAPTER VI

THE NATIONAL FOOD SUPPLY

§ 1: "Driven Bit by Bit, against our Will"

THE nationalization of the use of shipping, which secured the country's supplies of both food and munitions in the last two years of the war, would have been useless without the co-operation of Government Supply Departments to exercise foresight in purchasing oversea supplies and to distribute them wisely when safely brought to port.

Fortunately the Government of December, 1916, established a Ministry of Food as well as a Ministry of Shipping; and, despite the lost opportunities and the further delay in taking necessary measures which occurred after the establishment of the Food Ministry, the dangers of an unparalleled situation were averted.

The process of learning in the school of bitter experience was a very slow one, and dearly the nation had to pay for it. In Parliament on November 16, 1916, the President of the Board of Trade (Mr. Runciman) put the thing very clearly indeed:

"*We have been driven bit by bit, against our will, to suspend the easy flow of purely voluntary action.*"

The value of national organization could have no stronger tribute. Here was a Government composed of statesmen who, in common with the majority of the men of their time, strongly disbelieved either in State trading or in State interference with trade. They exhausted every expedient to avoid State trading or State interference. And yet they were driven, through the failure of their cherished beliefs, to take action forced upon them by the danger into which the country was brought by "the easy flow of purely voluntary action."

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In respect of certain foods State action of some purpose had been already taken by the first two war Governments at the date upon which Mr. Runciman's illuminating words were spoken.

As soon as the war broke out, a Cabinet Committee on Food Supplies took stock of the situation. In this, as in other matters, there was a plentiful lack of good information, for we had never brought ourselves to establish a permanent census department to act as the eyes and ears of Government. This Committee surveyed existing stocks, and power was taken to obtain proper periodical returns.

One matter of peculiar urgency forced itself upon the Committee. Our sugar supplies before the war were obtained as to by far the greater part from Germany and Austria-Hungary; of our imports of about 4,400,000 cwts. of sugar in 1913, nearly four-fifths was derived from the enemy countries. It was clear, therefore, that immediate State action was necessary, and the Cabinet Committee made considerable purchases in the first two weeks of the war. This was followed on August 20, 1914, by the appointment of the Royal Commission on the Sugar Supplies to purchase, sell and control sugar for the Government.

This was the first step in the series of measures which culminated, in the closing stages of the war, in the purchase and control of nearly the whole of our food imports by the State.

From first to last the work of the Sugar Commission, which is still in being in 1920, has been extraordinarily successful. It has never been seriously criticized, and the Select Committee on National Expenditure in its 1919 report showed that its work was done by a small staff of fifty-one persons, and that it "has been efficiently carried out without cost to the Treasury." To feed the nation with sugar when four-fifths of its normal supplies were cut off was no slight task, and yet it was not until eighteen months after the war began that any serious shortage of sugar became manifest to the public. Throughout we have enjoyed, through the wise bulk purchases of the Commission, sugar at a price below the world price. When in April, 1919, permission was given for the private importation of sugar for manufacturing purposes,

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private contracts were made at £12 to £13 a ton over the price of Government sugar.[1]

The Sugar Commission was the first State authority to buy an entire crop on behalf of the nation. This happened in 1914 when the crop of Mauritius white sugar was contracted for, its exportation to other destinations being prohibited by the Mauritius Government.

In other directions also, *laissez faire* had to bow, if reluctantly, to the war situation. In the early months of the war it was thought advisable to buy wheat on Government account. In October, 1914, the Government made large purchases on the open market through a privafe firm, the secret being well kept for a long time that the extensive buying was

[1] Messrs. Henry Tate and Sons, Limited, the well-known sugar refiners, brought out this fact in a letter published in *The Times* on May 27, 1919. They added: "The Commission have done well through a difficult time, and it would be a thousand pities were they to give up the control of sugar until the return to more normal conditions."

On December 10, 1919, Mr. Edwin Tate of this firm repeated his warning as to the danger of withdrawing control, and referring to the rise in sugar prices in the open market, said, "One may well ask what would have been the price of sugar had the control been entirely removed."

But, of course, the "business man" who knew better was heard from. Mr. E. D. Cairns, a shipowner, of Inverness, wrote to "*The Times* Trade Supplement" on May 15, 1920, charging the Sugar Commission with "tricks" and stating that, if he were allowed to do so, he could import plenty of sugar cheaper than that supplied by the "Government Sugar Trust." Unfortunately for Mr. Cairns, the Select Committee on National Expenditure saw his letter, and summoned him to give evidence in support of his claim. He ignored the summons, and was reported to Parliament. He was then ordered to attend the Committee, and an officer of the House of Commons was sent to Inverness to summon him. Mr. Cairns then came to London and gave his "evidence." The Select Committee reported (July 31, 1920) that his case was groundless. They said:

"The Sub-Committee does not dispute the possibility of private traders being able to import sugar, but, after weighing the evidence, they doubt whether it would at present be possible to put any quantity on the market at a wholesale price of 8d. a pound, unless much of the sugar were to be of a quality inferior to that now supplied by the Sugar Commission. Mr. Cairns himself admitted that the sugar at his disposal ran from 75 per cent. to 95 per cent. polarization, although the polarization of white table sugar as at present supplied by the Sugar Commission is 99½ per cent.

"It is important that it should be widely known that no licence is required at present in order to import, for manufacturing purposes, any sugar of a polarization not exceeding 91 per cent. The 90,000 tons offered by Mr. Cairns represents only about one-thirteenth of the present annual consumption of sugar in this country, and it would only be imported fortnightly in small quantities. It is obvious, therefore, that such a quantity, even if it were of the present standard quality, could not materially affect the wholesale price."

Mr. Cairns's mare's-nest is noticed here because his case is typical of the baseless charges brought against State Departments.

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on Government account. Early in 1915 the Indian wheat crop was bought up, and its exportation to other destinations prohibited.

Special efforts were made to increase wheat reserves, and, as we have seen, the Requisitioning (Carriage of Foodstuffs) Committee was set up in November, 1915, to requisition British ships to convey supplies. (This Committee, by the way, also gave tonnage aid to France and Italy for the same purpose.) Some success attended these efforts, and in May and June of 1916 very large imports were secured. Unfortunately, however, the Government cut down imports in June, 1916, and we therefore failed to get in supplies which we might have had, and that in a year when the American harvest was a failure. A rapid increase in submarine sinkings followed. In the last four months of 1916 no less than 632,000 gross tons of British shipping were sunk, while the total Allied and neutral losses in the same period amounted to 1,263,000 tons. In view of these figures it was unfortunate that action of a more serious character had not been taken by the Government. The position which some of us had feared and, indeed, predicted, had come about. On October 11, 1916, a Royal Commission on Wheat Supplies was at last set up, with the same full powers over grain which, more than two years previously, had been given to the Royal Commission on the sugar supply.

But still the Government resisted the conception that a special Department of State was needed to care for a situation of imminent peril. Although the Wheat Commission was set up on October 11, 1916, the President of the Board of Trade in Parliament six days later derided the suggestion made by Mr. G. N. Barnes that a Food Ministry was needed,[1] and that although the tonnage losses were increasing. In that very month 176,000 tons of British shipping went to the bottom, while the total loss of the Allied and neutrals

[1] "He (Mr. Barnes) has suggested a superhuman cure for all our ills in the shape of a Ministry of Food. It has become the fashion nowadays, whenever we are dealing with any topic, to have a Minister especially for it. It is not only my right hon. friend who has made the suggestion, but one of the correspondents of the Board of Trade has already suggested, in the course of a long and abusive letter, that the only way out of our difficulties was to have a 'Minister of Gastronomic Munitions.'"—Mr. Runciman, House of Commons, Oct. 17, 1916.

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amounted to over 354,000 tons. But it is not the case that Mr. Runciman took an exceptionally unwise view of the position. The speech of October 17 was loudly cheered by a House of Commons the great majority of which was utterly opposed to national organization. But the logic of events was too strong for settled convictions; after deriding a Ministry of Food on October 17, the President of the Board of Trade announced to the House of Commons on November 15, 1916, that a Food Controller was to be appointed. There was no sign, however, of realization that the necessities of the situation demanded the erection of a separate Department of State, and, indeed, the days went by and no Food Controller was actually appointed. Then came the change of Government, and the formation, at long last, of a Ministry of Food, confirmed by the New Ministries and Secretaries Act of December 22, 1916.

Just before the Ministry of Food was formed the Board of Trade bought (in December, 1916) 3,000,000 tons of Australian wheat. It was not possible, however, to fetch it, because the rapidly growing shortage of tonnage compelled us to look elsewhere than to the longest voyage in the world for our supplies. Even at the beginning of 1919 about one-half of this purchase remained unshipped, but since then the remaining 1,500,000 tons have been landed here. In spite of the delay a very trifling loss was incurred through deterioration.

The early steps taken in the war in respect of the food supply were not confined to wheat and sugar. Under Mr. Runciman the Board of Trade took very valuable steps to control meat imports. The operations were on a gigantic scale, and by October, 1916, the total Government purchases of meat had amounted to £60,000,000; the Department bought for the French and Italian armies as well as for our own. All the refrigerated tonnage was requisitioned at fixed rates which were, however, higher than the "Blue Book" rates.[1] The requisitioning extended only to the insulated space. As the Board of Trade bought up the entire meat surpluses of Australia and New Zealand it obtained more than was required

[1] This particular requisitioning was done by the Board of Trade, and not by the Admiralty Transport Department which then controlled all other requisitioned ships.

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for the Army, and so the Board of Trade came to be a purveyor of meat to the entire nation. There is no doubt that Mr. Runciman's policy in this matter saved the nation an enormous amount of money. Middlemen were eliminated, and we got both security and cheapness. In a free market prices would have advanced to a very high level.

It should also be noted that the first step in price determination was taken, before the formation of the Ministry of Food, when in November, 1916, the Board of Trade fixed the price of winter milk at a maximum of twopence over the price ruling in November, 1914.

§ 2: The Building of Stocks

Great success attended the Ministry of Food in building up food reserves, which had reached a low ebb in 1916. The work was the joint effort of the Ministries of Food and Shipping, and what was accomplished was the more remarkable because it was always a case of endeavouring to do more work with fewer instruments. Ship power and man power were alike rapidly declining, but organization triumphed.

In 1916 the stocks of wheat, barley, oats and meat were lower than in 1914, but the stocks of fat and sugar had risen, although insufficiently. At the close of the war we had far better stocks of all these commodities than in either 1916 or 1914. The figures of grain stocks for September 1 in each of these years are as follows (this date begins the "cereal year"):

Grain Stocks of United Kingdom, 1914, 1916, 1918

On Sept. 1 of	*Wheat. Tons.*	*Barley. Tons.*	*Oats. Tons.*
1914 ...	2,656,000	1,750,000	2,765,000
1916 ...	2,599,000	1,470,000	2,968,000
1918 ...	3,413,000	1,448,000	4,031,000

Thus on September 1, 1918, the stock of wheat in the United Kingdom had been raised to over twenty weeks' consumption.

Good results were also achieved in meat, fat and sugar.

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In the following table the variation of stocks of wheat, meat, fat and sugar are shown in percentages of the stock which existed on September 1, 1914:

Food Stocks of United Kingdom, 1914-1918

(Stock on September 1, 1914 = 100)

Stock on Sept. 1 of	*Wheat.*	*Meat.*	*Fat.*	*Sugar.*
1914	100	100	100	100
1915	105	148	146	113
1916	98	88	110	104
1917	124	116	171	138
1918	129	211	150	324

A statement, this, the more remarkable because between September 1, 1916, and September 1, 1918, the losses of shipping were: for Britain alone, 5,850,000 gross tons; for Britain, her Allies and the neutrals, 9,802,000 gross tons.

In connexion with the formation of stocks, considerable additions were made to storage accommodation. When the Armistice came, cold-storage space had been increased by 25 per cent. upon the pre-war capacity.

§ 3: Comprehensive Food Control

Ever since February, 1915, when the submarine campaign was revealed in its true colours, I never ceased to urge that our essential supplies should be brought under the complete control of the Government, and that in no other course could safety be found. On November 17, 1916, I outlined a comprehensive plan to secure the national safety which amplified the proposals made earlier in the year (see page 39). It was as follows:

It is necessary that the following foodstuffs should be taken under control, if not already controlled:

Grain.—It is not enough to control the home and imported supply of wheat. All sorts of grain should be controlled, including, of course, oats, barley, rice and maize. As to barley, the consumption must be reduced by further restriction of the liquor

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output. Maize, a most important feeding stuff, ought not to be left to the play of blind chance. Rice is a very important and cheap food, and nothing should be left undone to prevent it becoming a dear food. As to wheat, the supply and price should be under absolute control from the first to the last, both in respect of home, colonial and foreign wheat. There should be no mere dabbling in the wheat market. The price of flour should be arrived at by proper calculation of the respective costs of the different supplies of wheat, etc. The price of bread should be settled with the bakers' federations which exist in every district, allowing, of course, a fair margin of profit.

Meat.—Control should be extended to all sorts of meat, home or imported, including bacon. In this direction a good deal has been done already.

Dairy Produce.—Eggs, butter and cheese have all advanced in price out of reason, and maximum prices are necessary.

Milk.—The promised steps as to this important article should be rapidly taken and applied to the point of fixing maximum prices.

Sugar.—This is already under control, but it may have to be formally rationed.

Potatoes.—We have few imports during war except from the Channel Islands. The whole supply must be brought under control, and the greatest care taken that seed potatoes are preserved for the ensuing season.

Tea.—The price of tea is rising on the tea market, and the price of tea shares is rising on the Stock Exchange. To my mind it is exceedingly important to prevent a further rise occurring, as it is bound to occur if nothing is done, and the Food Controller should give immediate attention to the case.

Oils and Fats.—We use oils and fats not only for food in the shape of margarine, but for manufacturing explosives. The trade is already partly under control through the Ministry of Munitions. The control needs to be completed, and the margarine industry needs to be controlled. It is impossible to exaggerate the importance of an adequate supply of fat for a great community like ours, and we should not be content with the present position, in which so large a part of our margarine has to be imported from Holland.

Storage.—Finally, the Food Controller must not only take a

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census of stocks of food, but a census of storage accommodation, and, by the ruthless cutting down of needless imports, every endeavour should be made to increase stocks of necessaries. We cannot, unfortunately, redeem the time which has been lost in this connexion, but we must do all we can. . . .

It is necessary to realize that it is probable that our imports will continue to diminish. The only sane policy is to make every possible provision and preparation.[1]

Every one of these proposals was subsequently carried into effect, but not, in some cases, until after further delay. The policy of "let be" still lingered. The price of tea, for example, was not controlled until it had been run up to four shillings a pound, accompanied by the blithe promise on the part of every retailer that the price would go much higher still. The price of fish was not controlled until the price of herrings had been run up to sixpence each. It was long before fat was comprehensively dealt with. Item by item, however, the programme of safety was accomplished. The queues outside the butchers' and grocers' shops, which, down to the third week of February, 1918, were estimated to number nearly 1,500,000 persons in London, disappeared upon the introduction of the London rationing scheme for meat and fat on February 25, 1918.

While the total supply of food available was reduced by the enemy attack, it was evenly distributed. The success of rationing was at once a tribute to the organizing powers of our Civil Servants and to the sense of order of our people. It was a triumph of common sense.

The articles rationed were meat, fat (butter, margarine and lard) and sugar. Bread, happily, never had to be rationed, but that was not because wheat supplies were in no serious danger; it was because bread had chief place in the list of imports considered by the Tonnage Priority Committee of the Ministry of Shipping.

At the end of the war nearly every foodstuff was under control in respect either of supply, distribution or price, and in most cases in respect of each of these things. The list of principal articles controlled includes the following:

[1] Published in the *Daily Express*, November 17, 1916.

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Cereals and farinaceous foodstuffs: Wheat, flour, oatmeal, rice, barley, oats, rye, maize, sago, tapioca, cassava and millers' offals.

Cattle feeding-stuffs.

Beans, peas and lentils.

Meat: home and imported (including canned meat), bacon, ham, poultry, game and rabbits.

Oils and fats: including British and imported butter, edible oils, British and imported lard, margarine and dripping.

Tea, coffee, cocoa and chocolate.

Eggs, milk and cheese.

Apples and dried fruits.

Potatoes and onions.

Sugar.

Beer and spirits.

Fish, including canned salmon.

The more important articles were bought in bulk on behalf of the Allies in common, through special Executives created for the purpose. These finally developed into the inter-allied organization described elsewhere in these pages (Chapter XIII). The Wheat and Sugar Commissions were not disestablished, but after the formation of the Ministry of Food worked in close co-operation with that body, and the Food Controller took Parliamentary responsibility for their action.

The complete control of cereals, flour and meals of all sorts made the Ministry of Food responsible for the use of foodstuffs as materials of industry, e.g. laundry starch, calico fillings, etc. Maize alone is manufactured for various purposes in some three hundred different forms.[1] Industrial chemists of eminence were employed to aid the Ministry in preserving alimentary substances for food while maintaining essential industries. A large amount of food was saved by scientific study and careful organization.

Starches and farinaceous substances at one period of the war were made gambling counters; the Wheat Commission

[1] For example, it was shown at the Central Profiteering Tribunal on July 16, 1920, that maize flour, flavoured with almond and lemon essence, was sold at 3d. per packet, the cost being 8¾d. per dozen! The report of the case ended, "The article was a proprietary article, said the chairman, and the credulity of the British public being notorious, it was largely taken advantage of by makers of such articles."

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stepped in, confined the trade to legitimate transactions and saved the public millions of pounds.

The magnitude of the operations of the Wheat Commission may be gathered from the following statement of the quantities and values of wheat, wheaten flour and other foodstuffs purchased by the Wheat Commission on account of the British and Allied Governments:

	Tons.	£
1916	2,042,000 ...	27,065,000
1917	14,979,000 ...	211,081,000
1918	16,531,000 ...	271,656,000
1919	8,865,000 ...	155,017,000

The above figures do not include cost of freight and insurance, as the Wheat Commission was not responsible for such items of cost on shipments to destinations other than the United Kingdom.

In addition to the foregoing transactions, the following purchases on a c.i.f. (cost, freight and insurance) basis were made for British account only:

	Tons.	£
1916	264,000 ...	4,298,000
1917	870,000 ...	19,216,000
1918	147,000 ...	3,027,000
1919	nil ...	nil

The cost of this gigantic work was trifling, not only relatively but actually. The total expenditure for salaries and establishment expenses of the Wheat Commission for 1916-1919 was as follows:

	£
1916	460
1917	18,000
1918	120,000
1919	160,000
The four years	£298,460
Value of food handled, nearly all at f.o.b. prices	£691,360,000

Thus the cost of administration amounted to £1 for every £2,320 of business transacted. For practical purposes it was

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costless.[1] Nationalization reduces the middleman (the private official) to a negligible factor.

We have seen how the wise and economic policy of buying imported meat supplies in bulk was begun by the Board of Trade under Mr. Runciman. The policy was continued and extended. Control came to cover both home and imported supplies, and the general policy adopted by the Ministry was to pool the whole and to distribute to consumers by averaging costs and charging a flat rate. Some persons in the trade never understood, or tried to understand, what was being done. I was regularly bombarded by one critic who informed me that meat was being bought by the Ministry in New Zealand at a small price and resold to the British consumer at an extravagant profit. Unfortunately, the Ministry could not solely draw its supplies from Australasia, and the plan it actually adopted was a common-sense one. The Ministry could not command supplies in North America at its own price; it had to pay the American price, and the policy of the Atlantic concentration, necessary to obtain the largest amount of supplies in the shortest space of time, also made it necessary to buy a considerable proportion of meat from North America.

In meat as in other matters the Ministry had to accommodate itself to the clumsy machinery of petty trading. There were no fewer than 52,000 retail butchers' shops and 14,000 slaughter-houses. These had to be fed with their due proportions of supplies. The wasteful shop in Holloway, London, or Ancoats, Manchester, had to receive its ration of imported or home-killed meats according to its rationed customers. It was a wonderful organization which, in the difficult circumstances, placed the meat rations at the disposal of 40,000,000 of people just when and where wanted. But if the food supplies of the people had been reasonably organized in peace there would have been much less difficulty in

[1] But observe how this Department fares at the hands of the critic: In the London *Evening News* of July 28, 1920, under the heading "£150,000 a Year Limpets," the Wheat Commission is described as an "unwanted department which still has a staff of 538." It does not occur to the *Evening News* that the staff of 538 handles some £200,000,000 worth of food a year, and that but for the department's work 47,000,000 people would have been mulcted in tens of millions of pounds' worth of additional cost.

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war. Retail trading as we know it is not the organization of supply but the organization of waste.

The subject of oleaginous produce had a double interest for the nation in the war. Vegetable oils expressed from various seeds and nuts were at once a source of glycerine (and therefore a material needed by the Ministry of Munitions for the making of explosives) and a valuable foodstuff when converted into margarine.

Our neglect of scientific industry found us short of plant for making deodorized refined oil and margarine. And little was done at the beginning to repair these deficiencies. We got the soap-makers to give us glycerine, but that did not yield us food, because oil minus glycerine is reduced to inedible fatty acids. Our margarine we got from Holland by allowing her to import fats on condition that they were returned to us as margarine. In 1914 we imported for home consumption 1,495,000 cwts. of margarine and produced 1,726,000 cwts. at home; in 1916 our imports had grown to 2,729,000 cwts. and were not secure beeause of the submarines.

I had been making special representations on this vital subject of fats since early in the war,[1] and repeated them, as will have been seen, in April, 1916, and in November, 1916. It was not until July, 1917, however, that the Ministry of Food took over the control of fats from the Munitions Department, whose special interest has been explained. The Munitions control was by licence, assisted by export regulations in our colonies. The Food Ministry took complete charge of stocks, and by proper costings regulated the prices at each stage of manufacture. Early in 1918 the output of margarine was standardized and controlled, and great improvement effected. A special laboratory tested the product of all factories with excellent results upon quality. The makers were compelled to incorporate 20 per cent. of animal fat in the product to give the necessary vitamines. The maximum price was put at one shilling a pound.

[1] Both to War Committees and to the public. In the *Daily News* of December 31, 1914, I pointed out how unfortunate it was that our capitalists had so much neglected the trades concerned, and pleaded for immediate Government action; such action then would have saved millions.

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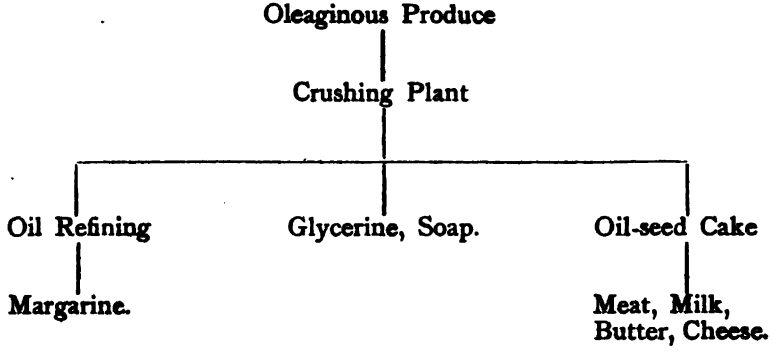
Priority was given for the making of machinery, and the British oil and margarine industries grew as they never had done in peace. Whereas in 1914 we imported about 1,500,000 cwts. of margarine, in 1919 we had plant capable of exporting 1,500,000 cwts. after satisfying all home requirements. And that is not all. A chain of industries depends upon oleaginous produce, thus:



So that from seeds and nuts we get not only imitation butter via machinery, but real butter via the cow. The whole story well illustrates the penalties paid for neglecting science in industry.

In distributing margarine, also, the Ministry had to adopt the existing wasteful machinery of the wholesale and retail trade. It was able, however, to check some of the normal waste of peace, as, for example, in preventing one lot of margarine travelling from north to south while another lot was crossing it in a train travelling from south to north. Economic areas of distribution were arranged, just as the Coal Controller did for coal (page 122).

A point of great economic importance arose in this connexion which illustrates the usual wastefulness of industry as commonly conducted. The Ministry, in determining a maximum price for margarine, had to consider the most wasteful shopkeepers—the little ones. It had to choose between ruining small traders and giving too much profit to big traders. In the circumstances, which the officials did not make, it was decided to allow such a retail margin as

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would keep the small agents going. But the price was a maximum, and the multiple shops could have sold at less if they had cared to do so. The extra profit taken by the more economic distributors in such a case is a Rent. As between (1) a shop well organized as part of a great distributive scheme, which buys well and is situated in a good thoroughfare, and (2) a small shop buying in little and situated in a poor thoroughfare, there is a considerable saving of cost by the former. This advantage is drained off and shared between the capitalist and the capitalist's landlord. If distributive trade were publicly owned, all uneconomic factors would, after an interval of compensation for dispossessed agents, disappear, and the full advantage of economy and of economic rent would accrue to the public; so vast is existing waste that even during the interim stage of transition there would be great saving.

As we have noted in our study of shipping in the war, the entry of the United States into the war on April 4, 1917, made it possible to organize the Atlantic concentration which played so great a part from June, 1917, to November, 1918. North America became at once a near market and an allied market, and with the co-operation of the American Government consolidated buying agencies were established across the Atlantic.

The outstanding feature of the Food Ministry's work, as of that of the merchant side of the Ministry of Munitions and of the War Office, was the bulk purchase of supplies. This was a feature new in the economic history of the world.[1] The purchase of entire crops, or entire export surpluses, of corn, sugar, meat, tea, oleaginous produce, etc., made for both economy and security. Such large-scale dealing disposes of a thousand complexities. The redundancy of middlemen in such transactions came to be painfully apparent. We may well ask ourselves whether it is really necessary for the export surplus of wheat of a country like New Zealand to be made the subject of traffic, first by a set

[1] It should be mentioned, however, that Japan has for some time had a State Tobacco Monopoly, which buys up the whole produce of the Japanese tobacco planters, guaranteeing them a reasonable price, with results which are claimed to be good both for the planters and for the Japanese public.

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of middlemen in New Zealand, and then by another set of middlemen in this country. Why in peace, as well as in war, should not a responsible department in New Zealand pay out the wheat producers, deal in bulk with the wheat surplus, and sell it in one transaction to a department here, charged with the maintenance of the British food supplies?

As to prices, there is no doubt whatever that the policy of the Ministry was exceedingly successful. The rise in prices between the worst days of the submarine campaign in the first half of 1917, and the Armistice, was small; if there had been no control prices would have risen enormously. This is sufficiently shown by the fact that the principal uncontrolled foods actually doubled in price between July, 1917, and the Armistice. It is also demonstrated by the great further rise in uncontrolled commodities, whether foods or materials, which occurred as soon as control was relaxed after the Armistice. It is unfortunately the case that, owing largely to the removal of Government supply and control, we are paying, eighteen months after the close of the war, much more for many articles than we had to pay when the submarine campaign was at its very height in 1917. The profiteers have easily beaten the submarines.

Scientific costing, which, as we have seen, played so great a part in Munitions economy, was also introduced into the operations of the Ministry of Food. When Lord Rhondda [1] became Food Controller, he fortunately chose as his Chief Permanent Secretary Mr. U. F. Wintour, a Civil Servant, who at the War Office Contracts Department had, with the aid of Mr. E. F. Wise and other public officials, revolutionized the Army Supply system and saved the nation many millions of pounds. Mr. Wintour's method was to investigate costs and to determine reasonable margins of profits for supplies instead of relying upon the acceptance of "the lowest tender."

The cost of the Food Ministry's administration was very small. At the close of the war it employed only 9,181 persons and cost 10d. per head of the population, including the supply of the ration-books.

[1] Lord Rhondda did not live to see the full fruition of his labours; he died in harness on July 3, 1918.

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§ 4: More Food with Less Labour

We entered on the world war with a home production of food sufficient to supply about 42 per cent. of the needs of our population. Requiring about 51 billion calories of energy—a calory being the quantity of heat needed to raise the temperature of a kilogramme of water one degree centigrade—rather more than 21 billion calories were from home-produced food and nearly 30 billion calories obtained from imports. The needs of the war, and the indiscriminate recruiting in the early stages of the war, robbed us of many farm workers, including some of essential importance, and in 1916 our wheat production was 7,472,000 quarters, while our production of potatoes fell to 5,469,000 tons.

Thus a poor cultivation was added to our perils in a year at the end of which we were losing eighty good ships a month.

In these circumstances the English Board of Agriculture, early in 1917, established a Department of Food Production to carry out what its director, Sir Thomas Middleton, calls a "plough policy."

It is to be feared that our individual farmers in many cases had no more respect for this departure than the factory owners who, in another department of the national affairs, thought that costings were an amiable expression of official lunacy. "The average agriculturist," says Sir Thomas Middleton, "could not understand the actions of those whom he termed the 'plough maniacs.' Are not beef and mutton, he asked, as necessary food for men and women as wheat and oats?" [1]

What the Food Production Department gave its mind to was to get the greatest food value out of British soil in the difficult circumstances. The land had been denuded of labour, and women had to be recruited and trained to take the place of the departed men. To produce much more food in these conditions was a triumph. Here are the official statistics of the United Kingdom crops for the period 1914-1919:

[1] "Journal of the Ministry of Agriculture," March, 1920.

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United Kingdom Food Production

Thousands of quarters of	1914	1916	1917	1918	1919
Wheat ...	7,804	7,472	8,040	11,643	8,665
Oats	20,664	21,334	26,021	31,196	25,495
Barley ...	8,066	6,613	7,185	7,760	7,213
Thousands of tons of					
Potatoes ...	7,476	5,469	8,604	9,223	6,312
Turnips and swedes ...	24,196	23,318	24,842	22,835	22,792
Mangolds ...	9,523	9,010	10,369	10,321	7,769
Hay	12,404	15,198	13,162	12,332	10,708

In wheat and oats the "plough policy" gave us 50 per cent. more produce in 1918 than in 1916, while the potato crop nearly doubled. Barley and roots held their own. Indeed, we have to go back to the eighteen-seventies for a wheat yield as good as that of 1918. This result was attained by organizing not only labour, but machinery and materials and land. The Food Production Department and the Board of Agriculture for Scotland were empowered to enforce cultivation, and these powers were delegated to the executive committees of the War Agricultural Committees which had been formed in each county. These Committees determined what grass lands should be broken up, and they had power to enter into and work badly farmed land, which they did in about a thousand cases; in many instances admirable results were secured, at small expense, from neglected farms.

The scale of operations of the Food Production Department may be judged from the fact that by the end of 1918 it had organized the supply of 118,000 agricultural workers to the Agricultural Executive Committees, including 11,500 Land Army women, 4,000 war volunteers, 30,000 prisoners of war, and 72,000 soldiers. Sir Thomas Middleton also states that the Department owned 4,200 tractors, 10,000 horses, and many thousands of agricultural implements. Much was done also in supplying fertilizers. The British farmer learned not to despise sulphate of ammonia, while his conceptions of the use of tractors and other machinery greatly widened. There is good reason to believe that the new arable land, in spite of

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the poor yields of 1919, which were common to both the old arable and the new, will prove of permanent value.

A matter of no little interest and importance in which the Ministry of Food and the Food Production Department joined hands was in establishing in war time a fruit-pulp industry. Private enterprise in peace, confronted with an abundance of plums or apples solved the problem in the simplest way; the superfluous fruit rotted. In this, as in so many other matters, we wasted good material for lack of industrial science. It seemed to the enterprising officials a pity that the plentiful fruit crops of 1917 should be left to the usual fate, and plants were erected which happily remain with us for use in peace, to manufacture sterilized fruit-pulp for subsequent conversion into jams and jellies. The new industry was so successful under public management that, despite war conditions, profit was made and a new British industry established without a penny of cost to the nation.

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CHAPTER VII

THE NATIONAL SYNTHESIS OF 1914–1918

§ 1: An Organized Nation

THE three Ministries which controlled Munitions, Ships and Food had, in effect, charge of the greater part of the national supplies apart from coal. To realize this, let the imports of war-time be considered. Adding, for the purpose of comparison, the figures of 1913, of 1919, and of the first six months of 1920, we get:

For the year	*Weight of Imports*[1] *Tons.*	*Value.* £
1913	54,500,000 ...	768,700,000
1914	46,400,000 ...	696,600,000
1915	45,500,000 ...	851,900,000
1916	41,400,000 ...	948,500,000
1917	34,000,000 ...	1,064,200,000
1918	35,200,000 ...	1,316,100,000
1919	39,000,000 ...	1,631,900,000
1920 (Jan. to June)	20,635,000 ...	1,033,300,000

So complete became the State organization of the supplies of our fighting forces and civilian population that in 1918 almost the whole of the imports were selected, directed and controlled in the national interest. At the time of the Armistice the control extended to fully 95 per cent. of the whole. But for this selection and control soldiers and civilians alike would have starved, and the question at this moment would have been: "*What can Britain Pay?*"

If we take the 35,000,000 tons of imports of 1918 we may put it roundly that of every 100 tons the Ministry of Food and Ministry of Munitions together imported 70 tons, leaving 30 tons to account for.

[1] From August, 1914, until July, 1917, certain munitions were unfortunately not included in the import returns, but the figures cover the greater part of the imports and sufficiently serve our purpose.

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The remaining 30 tons in each 100 tons of imports were as to nearly one-half controlled by the War Office and Admiralty, who between them dealt with about 14 tons per 100.

The War Office controlled wool, flax, jute, hemp, hides, leather, tanning materials and their products.

The Admiralty imported some steel, asbestos, guns, etc., but its chief import in point of bulk was that very important item, oil for the Navy.

This leaves 16 tons per 100 unaccounted for; these were taken by the Board of Trade and the Timber Controller, the former being responsible for tobacco, mineral oil for civilian use, cotton, paper and pulp, and miscellaneous materials.

A conspectus of the national import organization in the last year of the war is roundly as follows:

	Tons.	*Per cent.*
Ministry of Food	12,700,000	35·7
Ministry of Munitions: Ores, metals, manufactured munitions, nitrate, lubricating oils, transport materials, machinery of all sorts	12,000,000	34·3
War Office: Wool, flax, jute, hemp, hides, leather, etc. / Admiralty: Oil, steel plates, guns, etc. ...	5,000,000	14·2
Timber Controller	2,500,000	7·1
Board of Trade: Tobacco, oil, cotton, paper, pulp, etc.	3,000,000	8·7
	35,200,000	100·0

Further, the Board of Trade, through the Railway Executive Committee and the Coal Controller, took charge of the railways and mines, while the Board of Agriculture and the Food Production Department took practical control of agriculture. The War Trade Department conducted import and export licensing. The Liquor Control Board ruled the alcohol traffic, which was further controlled by strict limitations as to the consumption of food for drink-making.

Last, but not least, the national economy came to be linked up with that of America and our European Allies by an Inter-Allied organization described elsewhere in these pages.

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We may at once note a fact which will not surprise those who are practically acquainted with large-scale work. This rapidly contrived and necessarily imperfect scheme of national organization, which worked, on the whole, with astonishing smoothness, was conducted by a body of permanent and temporary Civil Servants who at the highest point (November 11, 1918) numbered, inclusive of messengers and charwomen, 223,195. It is an extraordinary tribute to the economy of national work. This will be better appreciated when it is pointed out that the single business of civil law in the United Kingdom in peace (Census of 1911) employed 27,845 barristers and solicitors and 44,191 law clerks. If, as is always done with Government officials, we add the messengers, typists, office boys, charwomen, etc., and allow for the growth since 1911, the number of persons in the legal profession (without judges and court officials) must be fully 100,000. But I will return to this important matter of economy hereafter.

It is sometimes said that our success in war production was due to "borrowing American supplies." As a matter of fact, while it is true that we borrowed from America, we incurred the debt not for ourselves, but to aid our Allies.[1] We gave our credit to furnish France and Italy with food and munitions. American funds gave no aid whatever to our own war economy.

Another illusion is that the war production was really furnished in large part by "posterity." This should need

[1] It is well to set out the facts of the case, as kindly furnished to the author by the Chancellor of the Exchequer:

The International War Loans

To	*America has Lent (July, 1920) Million £*	*Britain has Lent (March, 1920) Million £*
Britain	866	—
France	613	515
Italy	331	455
Russia	39	568
Belgium	70	97
Serbia	6	21
Other Allies and British Dominions	27	194
Other loans, details not available	32	—
	1,984	1,850

It will be seen that we lent to our Allies far more than we borrowed from America.

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no refutation, for a war cannot be fought with material to be manufactured or delivered at a future date; it demands present supplies.[1] It was the existing productive powers of the nation in 1914-18 which furnished the mighty supplies consumed in the conflict. The war demonstrated the existence of those productive powers.

To describe at any length the work of the Departments which completed the national organization would occupy many teeming volumes and take us outside the scope of this work, which is designed to give a broad view of the nature of the national organization which was accomplished. I give, however, an account of some other main branches of the war economy.

§ 2: Control of the Railways

Fortunately for the nation, it had been foreseen in drafting the Regulation of the Forces Act of 1871, that occasion might arise in war for the Government to take over the railway services. By Section 16 of that Act, when the Crown, by Order in Council, declares that an emergency has arisen which makes it expedient that the Government should control railways, the Secretary of State may empower any person or persons to take possession of any railway and to use it in such fashion as the Government may direct. Further, the company owning the railway and its servants have to obey the directions of the Government.

Accordingly, on the day we declared war against Germany, an Order in Council was issued taking control of the railways and vesting that control in an Executive Committee composed of railway managers. Foresight had gone further;

[1] *Cf.* Mr. Hartley Withers, in "Our Money and the State":
"All wars have always been paid for during the time in which they were fought."
Cf. also Professor A. C. Pigou in *The Economic Journal* for June, 1918:
"Whatever internal debt (whether principal or interest) posterity will have to pay, posterity will also receive; for the payment made will be made, not from Englishmen to outsiders, but from one set of Englishmen to another. It will be, not a cost to the country, but a transference within it. To the obligation upon taxpayers which the debt involves there corresponds an exactly equivalent right in the group of citizens who hold War Loan securities."

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the Committee of Imperial Defence planned in advance both the formation of the Committee and the nature of its work. Thus, at a stroke, under an Act of Parliament forty-three years old, we took command of the railways in the war.

It should not be imagined that the Railway Executive Committee ran the railways, or that "Nationalization" took place, as is sometimes loosely said. The real physical ownership, control, and management remained with the railway companies, as in peace. Nevertheless, the normal waste of individual railway working was so extravagant that the Railway Executive Committee was able to do a great deal by a few strokes of the pen. It was its business to move soldiers and supplies about the country by the best routes in the shortest possible time, just as it is not the business of a railway company in time of peace to move men or material by any but a route that pays it best—which is quite another matter. Many economies were made to meet the straits in which the nation found itself. A large number of locomotives and railway wagons had to be sent to France to aid transport there. Miles of track had to be torn up and transferred to the Western Front. Coal was very short. To meet these exigencies train services were curtailed, little-used stations were shut, and so forth. But, as it is all-important to remember, the Railway Executive Committee could do nothing to remove the many forms of waste and inconvenience which arose from the individual construction of lines which had been made not to give the nation aid either in peace or in war, but to create profits for landlords, railway promoters, and railway shareholders.

On the financial side, by agreement under the Regulation of the Forces Act, it was arranged that in the period during which the Government remained in possession of the railways, it would guarantee to the railway companies the net profits of 1913; that year, it will be remembered, was one of excellent trade. The Government was thus enabled to make full use of British railways for naval and military purposes, whether for moving soldiers or supplies, without complicated book-keeping as to payment for these services. Each company kept the money it received from the public during the war. The actual receipts as a whole were pooled, and the

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Government periodically put into the pool the sum by which it was short of the earnings of 1913. Each company then took its share from the pool. This arrangement has now been extended until August, 1921. There were other agreements as to maintenance, etc., which need not here concern us.

Within the limits described, the national control was remarkably successful. Millions of men, and tens of millions of tons of supplies were assembled on the south coast and conveyed to France with very few hitches. The railway managers who formed the personnel of the Railway Executive Committee had a greater opportunity than had ever been afforded them in time of peace, and undoubtedly they learned a great deal from it.

§ 3: Control of Coal

Unfortunately, the Committee of Imperial Defence had not prepared plans for the control of the coal mines in war. That is only one more illustration of the extraordinary neglect of the basis of British industry which has characterized our conceptions of government. As the war situation developed, the necessity for control was forced upon us. It began with the South Wales mines, where control dated from December, 1916; in March, 1917, it was extended to the whole country. Agreements of remarkable complication, which it would be outside the scope of this book to describe in detail, were entered into between the first Controller of Coal Mines, the late Sir Guy Calthrop, and the Mining Association of Great Britain, and scheduled and confirmed in an Act of Parliament entitled The Coal Mines Control Agreement (Confirmation) Act, 1918.

Generally, under this Act and various Orders, the Coal Controller was given power to fix prices; to limit profits; to control exports; to ration domestic and industrial supplies, and for gas and electric purposes; to determine methods of distribution; to deal with labour questions; and to direct production.

The successive Coal Controllers were entrusted with a task of exceeding difficulty. British coal output, which had been

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287 million tons in 1913, fell, through loss of miners and of material, to 256 million tons in 1916. In 1917 there was a further drop to 248 million tons, and in 1918 to 228 million tons. Thus the Coal Controllers had to administer a growing scarcity, and appeared to many people to be the instruments of famine, when they were really preserving the public from the consequences of famine. But for the work of the Coal Controllers many districts in the war would have been left without coal, while prices would have risen to a height which would have denied it to the poor. Early in 1920 the price of domestic coal in London would have been at least £10 per ton but for the existence of the Coal Control. Unfortunately, these things were not explained to the public, which in many publications was urged to regard as hostile the very measures of control which saved it from famine and disaster.

Not the least important or successful part of the Coal Controller's work was the economical distribution of coal, which economized both the fuel itself and railway transport. It was found that coal under uncontrolled distribution was travelling absurdly long distances, while every user was free to order his coal from any colliery, no matter how far removed. Great Britain was divided into twenty areas of distribution, and coal was moved from producer to consumer by the shortest possible routes. Before this was done it was found that areas which did not produce sufficient coal for their own consumption were actually sending large amounts of coal to other areas, which quantities had to be replaced by bringing in coal again from other producing areas.

North Wales may be quoted as an example of this. Its total production of rail-borne coal for inland consumption was about 150,000 tons per month. Its consumption per month was about 220,000 tons. Although consumption thus exceeded production by about 70,000 tons, North Wales was found to be sending out of its area nearly 40,000 tons per month, necessitating about 110,000 tons per month being brought into the area, whereas 70,000 tons would have sufficed.[1]

[1] Evidence of Mr. E. H. Davies, of the Coal Mines Department of the Board of Trade, before the Coal Industry Commission, March 6, 1919.

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It is estimated that the coal transport scheme saved 700,000,000 coal ton miles per annum. Thus in war, by Government action, we were able to cut out a form of extravagance which had been a commonplace in peace.

It should be observed, however, that the Coal Controller's direction of output was necessarily a thing of limited character. It was obviously impossible to alter suddenly in war-time the wasteful conditions which are described elsewhere in these pages. Nevertheless, the Coal Control, as far as it went, was necessary in the interests of public safety, and accomplished a great and fruitful work. Its cost was insignificant. The total cost of the Department from 1916 to 1919 was only £277,000, or about one-tenth of a penny per ton. There were in addition the administrative costs of the local authorities, but these amounted to no more than another negligible fraction per ton. By this small expenditure the public was saved from coal exactions which would have added pounds per ton to price.

The Coal Controller, like the Food Controller, had to work within limits imposed by the existing conditions of uneconomic production and distribution. He saved the coal consumer tens of millions of pounds. He could have saved more if he had been able to unify the trade. *Mutatis mutandis,* it was with coal as with margarine—the uneconomic agents had to be considered, or put out of business. So great is the variation in the costs of production between the best mines and the worst, that a coal price which gives a good profit to the former means ruin to the latter. In such circumstances the price of coal tends to be that which will keep the poorest mines "in cultivation." As Sir Arthur Lowes Dickenson (financial adviser to the Coal Controller) told the Coal Commission on March 4, 1919 (Question 103), "the price of coal which is a fortune for some collieries spells bankruptcy for a number of others." A pit-head price which gave 6s. profit per ton to one mine meant 6s. loss per ton to another.

It was found early in 1918 that at the end of 1917 (out of mines producing 75 per cent. of the total tonnage) the mines producing 62 per cent. had made 2s. 3d. profit a ton, while the mines producing 13 per cent. ran at a loss of 2s.

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per ton. So 2s. 6d. a ton came to be clapped on coal to wipe out the loss of the poor mines and incidentally to add further profit to the good mines. The following is from the minutes of evidence (Sir Arthur Lowes Dickenson under examination):

Question 153. Sir L. Chiozza Money: You had to be very tender to the poorer colliery owners in the country?—Yes.

Question 155. And we all had to pay for the tenderness?—Yes.

Question 156. Mr. Sidney Webb: If there had been one great coal trust there would not be that?—If the profits had been pooled you need not have put the price up.

Question 157. In short, if they belonged to the nation you would not put the price up?—That is my opinion. I do not know that I ought to give opinions.

But let it not be supposed that if there had not been a Coal Control the consumer would not have paid this extra 2s. 6d. On the contrary, but for the Coal Control the price of coal would have soared even more than the price of wool after the de-control of 1919.

Above all, it should be remembered that without British coal our Allies could not have continued in the war, and that it was the general management and distribution of coal by the Coal Controller which enabled us to ration our Allies and our own people.

§ 4: War Office Clothes and Boots

While smaller in bulk and value than the munitions, the Army supplies of clothing, boots, etc., were of very great importance, and as necessary to warfare as the actual instruments of war. As we have seen, the War Office came to control the supplies of wool, hides, leather, flax, jute, hemp, etc., and we owe a great deal to the ability and initiative [1] of the brilliant Civil Servants who organized the supplies and secured relative cheapness for the nation

[1] Aid was given by business men in working out the details, but the initiative in the great schemes devised came from Civil Servants.

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even while the submarines were doing their worst, and while in foreign markets higher prices were ruling. The War Office began with the old-fashioned methods of war-contracting, which had been in the past so fruitful a source of abuse and plunder. If those methods had been continued the War Office estimates would have been enormously bigger and the nation would have got poor supplies. It is the characteristic of war-contracting that at one and the same time it yields inefficient supplies and extravagant profits. It is with goods as we saw it to be with shipping; high prices are paid to buy, not safety, but danger.

The decision of the then Director of Army Contracts, Mr. U. F. Wintour, to deal with such commodities as hides, wool and flax on the largest possible scale was not only fraught with tremendous gain to the nation in war; properly regarded, it was an experiment which shows how large-scale dealing may be employed for the common benefit of exporting and importing nations, and to eliminate petty traffic and the middleman. What was done was to purchase in the greatest possible bulk the supplies which the nation required. The entire wool clips of Australia and New Zealand were bought up at agreed prices by direct dealing between the respective Governments, the authorities in Australia making themselves responsible for the payments to their producers. Thus we got a model of what world trading will undoubtedly come to be. The Government also acquired the British clip.

The wool was bought upon favourable terms. Three successive entire British clips were purchased at prices ranging from 35 per cent. up to 60 per cent. above the 1914 prices. The greater part of four consecutive clips was purchased from Australia and New Zealand by contracts at prices ranging from 55 per cent. to 60 per cent. above those of 1914.

The wool thus purchased was issued to the trade at prices which gave them material on more advantageous terms than those enjoyed by any other manufacturers in Europe or America. The Government took control of all other wool imports, and thus had entire command of the market. The Wool Profiteering Report of 1919[1] refers to the "artificial

[1] Findings by a Committee appointed to Investigate the Cost of Production and Distribution of Wool, etc. Cmd. 535, 1920. Price 1d.

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regime of cheap prices" which obtained. This is a curious use of terms, for all prices are the result of the artificial thing we call "trade," and what the Committee really meant was that Government trading gave a lower price than private trading would have done.

Having thus given us security in wool supplies, and cheapness in wool supplies, the War Office turned its attention to the industry itself and organized it to produce cheap clothes for the soldier. A system of scientific costing was introduced into the trade, to which it was as foreign as we have seen it to be to most producers of munitions. (See page 58.) At each stage of the producing trade costs were determined and profits fixed. So the soldier got his khaki at a reasonable price where, if things had been left to the law of supply and demand, the nation would have paid probably twice or thrice as much.

Nor did the War Office content itself with attending to the soldiers' wants alone. It did not forget the civilian, and under its auspices there was arranged the supply of standard suits, which was so unwisely dropped after the Armistice.

As with wool so with hides, and leather, and boots, and Army leather goods generally. The War Office dealt with the materials on the largest possible scale, determined prices and reasonable profits, and saved the nation money even while it maintained and secured its proper supplies.[1]

When, as in such a case as hardware, competitive tendering had to be employed, accountants visited the contractors' works and checked all costs for materials, labour,

[1] A tribute to this work by an eminent business man deserves to be quoted. At the annual meeting of Bovril, Limited, on February 14, 1920, Mr. G. Lawson Johnston remarked: "The hunt after 'profiteers' nowadays is an interesting study. A statement was made last month (January, 1920) that the profits of the spinners were 400 per cent. to 3,200 per cent. greater than the profit allowed by the War Office during control. For a week or two we read about nothing but wool. Few people outside Yorkshire were able to follow the somewhat technical discussion that took place as to the extent of the profit-making, but I barely saw a reference to the efficiency of the War Office Department that had held these tendencies in check till last April. Up to about that time the purchase and control of necessary raw materials had been organized in the Surveyor-General of Supplies Department of the War Office. The raw materials having been secured and brought from all parts of the world, were supplied to the various trades at fixed prices, and the profits to be allowed to each section of the manufacturers were decided upon after careful costing had been made. The result

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and overhead charges. Thus in the twelve months to April, 1917, contracts for hardware, horseshoes, brushes, etc., were overhauled to the value of £8,500,000 and reduced by £400,000, at a cost to the country for salaries and expenses of less than 1 per cent. of the £400,000. These things are so contrary to the impressions of official wastefulness which have been so sedulously spread that it gives me pleasure to set them down here.

The magnitude of the operations in materials carried out by the War Office may be gathered from the following figures, which are taken from the report issued by the Ministry of Munitions in 1920 (Cmd. 788). The report was issued by the Ministry of Munitions because that Department was entrusted, after the close of the war, with the clearing up of all such matters. The following statement refers to the trading period which began, for some articles, in 1916, and for others in 1917, down to March 31, 1919:

War Office Transactions in Materials

	Sales up to March 31st, 1919.	*Profit up to March 31st, 1919.*	*Administrative Expenses.*	*Value of Stocks on hand at March 31st, 1919.*
	£	£	£	£
Home wool	33,686,168	6,833,197[1]	313,114	4,486,161
Colonial wool	133,518,713	25,424,481[2]	266,662	86,844,981
Kips and raw hides ...	13,967,977	1,815,688	71,658	7,824,249
Tanning materials ...	1,976,508	348,138	3,058	138,380
Leather	4,402,074	503,800	41,063	4,154,044
Flax and flax seed ...	15,357,440	2,459,872	20,939	3,283,060
Jute	9,694,321	672,393	12,000	1,710,704
Manila hemp	5,517,182	483,597	2,865	1,028,439
Cotton and cotton fabric	1,978,573	78,987	5,500	1,631,331
Chemicals and drugs ...	432,146	24,368	1,000	179,435
Food containers	1,156,403	76,004	1,267	133,674
Totals	221,687,505	38,720,525	739,126	111,414,458

[1] Subject to rebates of £3,250,000 in favour of the Army, Navy and Air Force Funds.

[2] Subject to very heavy deductions for rebates to British and Allied Governments, and to division of profits with the Dominions.

was in this particular case that the spinners were apparently only allowed from a quarter to one-thirtieth part of the profit that might have been taken had these matters not been carefully arranged, and this at a time when things were even scarcer than at present. No doubt some day we shall hear something of the enormous savings made by that Department, not only in the supply of Army clothing, equipment, etc., but also even overflow economies organized for the benefit of civilians, such as the twenty-five million pairs of low-priced war-time boots issued during one year."

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During the subsequent financial year (ended March 31, 1920) there were further cash receipts amounting to £179,412,640, making total sales of over £401,000,000.

Particular attention is directed to the small cost of administration. The figures on this head are almost as remarkable as those for the Wheat Commission (page 107). Again we have practical proof of the extraordinary economy of National organization.

The profit up to March 31, 1919, of £38,720,000, and the further big profit which has accrued since that date really formed the smallest part of the gain to the nation through these operations. If the bulk purchases had not been made and if the buying had been left to the ordinary private enterprise agencies, our raw materials would have cost us several times as much, if we had got them at all. The aggregate gain to the nation through this particular work, as far as it can be expressed in money, is a figure in hundreds of millions of pounds.

§ 5: Successful Nationalization of the Drink Trade

A full account of the great and beneficent work of the Liquor Traffic Central Control Board cannot be given here, but it must be pointed out that its work was by no means confined to restrictive measures, important as those measures were in time of war. The Board worked for positive good. The restrictive orders were of great value in conserving the nation's supplies of food, and it is a misfortune that their value in turning beer into quartern loaves was not clearly brought home to the public mind. In the way of positive action the Board did much to secure food supplies for munition workers, thus increasing the real refreshment and comfort of the people while cutting down the facilities for alcoholic consumption. Its good work in respect of industrial canteens was, early in 1918, taken over and extended by the Ministry of Munitions.

In certain areas the Board took direct control by buying out the liquor trade—bar, measure and barrel. These districts were Enfield Lock, from the end of 1915; Culver-

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gordon and Cromartie, from January, 1916; Gretna district, from January, 1916; and Carlisle and district, from July, 1916. In all these places a general policy was pursued of abolishing redundant licensed premises, of changing the remaining premises into reasonable and respectable places of refreshment and amusement, of supplying good food as well as drink, and generally of changing a policy of profit-making at the expense of public health into one of real social value. The largest of these valuable experiments, that of Carlisle, demands special notice here. And what follows is based not alone upon the excellent reports of Sir Edgar Saunders, the general manager at Carlisle, but on many other independent observations and reports by well qualified individuals and committees of investigation.

When the Board began work at Carlisle a problem of formidable dimensions had arisen. The erection of the Gretna works, already described in these pages, near Carlisle, had flooded the district with a large number of new inhabitants. The public-houses did a roaring trade, and liquor took its usual toll of income and health. An eye-witness thus wrote of the disorder which assailed the social life of Carlisle: ". . . Some five thousand of the said navvies nightly remove themselves from the scene of their labour to Carlisle, with the result that a once respectable city, chiefly notable for its castle, its cattle market, and its hanging of rebels, has become a city of dreadful Saturday nights. . . . I have no need to penetrate the darkness to paint you graphic word-pictures of Carlisle's Saturday nights—of the inns where men stand in solid formation to make massed attacks on the alcohol, and even stand in elevated echelon all up the staircases because there isn't room enough on the floor. . . ."

It was felt that positive action was demanded, and decision was made in June, 1916, to acquire the 119 licensed premises at Carlisle. Soon the whole of the licensed premises and the breweries and other wholesale establishments of the district were acquired, and drastic reform took place. In all five breweries and 279 licensed premises were bought, and the whole undertaking, which is contained in an area of 300 square miles, managed with the assistance of a well-

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equipped local advisory committee, including the Mayor of Carlisle. At the end of 1918 it was reported that 164 premises had been placed under management, as to the large majority placed under the Board's own managers, and as to the remainder left in the hands of tied tenants. Merely to look at the thing from a monetary point of view, the advantages were great. Concentration and co-ordination kept down expenses, and the elimination of competition was a financial as well as a social good. The undertaking has already (1920) paid off one-third of the entire capital cost, and within five years the balance will have been cancelled, so that the nation will be in possession of the Carlisle district liquor trade, wholesale and retail, for nothing.

It may be well to give the figures of this important case. At March 31, 1919, the capital cost in the entire area amounted to £853,550. The profits up to that date were £203,911. These profits sufficed:

(1). To meet all ordinary recurrent expenditure and depreciation.

(2). To defray the preliminary expenses and the cost of improvements not estimated to add to the realizable value of the properties.

(3). To meet interest on Exchequer issues and unpaid purchase moneys, and

(4). To repay upwards of one-third of the average capital employed in the scheme.

But great as the success is from a financial point of view, I prefer to dwell upon the social side of the matter. The Carlisle State management has shown itself capable of enterprise and initiative exercised for the common good. The advertising of liquor has disappeared, thus at once wiping out a considerable item of expense and discouraging the undue consumption of alcohol. The State public-houses have become, in some cases, models of their kind, and in every case are a great improvement upon the drinking shops of the pre-war period. The new public-houses which have been constructed are bright restaurants where a man can get a good meal, and a glass of beer with it if he wants it. They have dining- and billiard-rooms, and bowling greens. They

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are, in effect, popular clubs. Gone is the glaring public-house beloved of the trade; the converted licensed premises of Carlisle are houses of refreshment as decent as those of any other trade, and better conducted than most. The effect upon the convictions for drunkenness has been remarkable; in 1917 they were as many as 320; in 1919 they were 75.

Sir Edgar Saunders expresses the opinion that what has been so well done at Carlisle can also be done for the country at large, and who can doubt that he is right? The nation could buy up the drink trade and abolish its evils; within a few years it could pay off the capital indebtedness out of profits and obtain a handsome revenue-producing undertaking which would be a source of great profit to the Treasury and of social service to our people.

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CHAPTER VIII

THE RESUMPTION OF DISORDER

§ 1: Economic Position at the Close of the War

THE conclusion of the war thus found the nation organized for work as it had never been before. In some productive departments, it is true, there had been a restriction of energy, but, for the most part, this applied to such of the minor trades as were not needed in war as, for example, the making of toys or of pianofortes. In large measure, however, the trades of war are one with the trades of peace, and additional capitalization of many industries for the purposes of war made them so much the better fitted to serve the nation in peace. The shipbuilding, engineering and chemical trades are notable examples of this. Some of the minor trades, again, had been put through the State mill and transformed from inefficients into valuable contributors to the national output. Agriculture at the end of the war was better furnished with machinery and appliances than ever before. It had, moreover, learned new methods as, for example, to employ tractors, and to value certain new manures. On the other hand, some industries, as, for example, housing, railways, and mines, had suffered from the subtraction of labour and the denial of material. Shipping, again, suffered heavy and precisely measurable loss, the gross registered steam tonnage falling from 18,892,000 tons in 1913 to 16,345,000 in June, 1919.

Generally, there is no doubt that as far as the material capital of the country is concerned, and putting aside any question of monetary valuation, the nation was, as a whole, better equipped for work at the end of the war than at the beginning. Let it be clearly understood that I speak here of the intrinsic capital of the country as distinguished from its monetary valuation. As to the latter the war has produced the strange result that:

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The national valuation is smaller than the valuation of property owned by British citizens.

This curious anomaly arises from the fact that the nation as a whole is mortgaged to those of its citizens (and, as to a smaller part, to the citizens of America) in respect of the National Debt of £7,800,000,000. The National Debt securities rank as assets in the valuation of property held by private individuals and as liabilities in the valuation of the nation as a nation. The following figures give an approximately true conception of the changes made by the war:

Capital Wealth of the United Kingdom.

	1914 Million £	1920 Million £
Public property (in the possession of the Imperial and local Governments; actual property, less debts regarded as mortgages)	600	−4,900
Private property	14,000	19,000
Total	14,600	14,100

[NOTE.—The − £4,900 millions of public property in 1920 is thus arrived at: Liabilities: Deadweight debt, 7,800 millions; local debts, 570 millions; total, 8,370 millions. Assets: Imperial and local property, 2,500 millions; Dominion debts to us, 119 millions; one-half of Allies' debts to us, 883 millions; total, 3,502 millions. Net liabilities 4,868, or roundly 4,900 millions.]

The relative (sometimes actual) gain of individuals through the war at the expense of the nation is very well demonstrated by these figures.[1]

The actual quantity of material goods functioning as capital cannot be measured, but, having regard to all the factors of the case, there can be little doubt that while the greater part of the war expenditure was dissipated in rapidly consumed commodities and services, it nevertheless made a substantial addition to the material goods employed as capital.

The enlargement of the capitals of so many industries and the greater efficiency of their production arose, as we have seen, from national organization. The 130 National Factories were considerable contributors to the nation's output, and the nation possessed no other 130 factories that could be compared with them in point of scientific equipment and output.

[1] The method of computation is necessarily imperfect and cannot be discussed here. It can be found in my "Riches and Poverty."

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The factories which were merely controlled and not actually owned by the State had, at the end of 1918, gained both in material equipment and in method. If we take the iron and steel industry as an example, it had been actually expanded in capacity by about 50 per cent. since the war began, after having remained in the doldrums for a great many years. The scientist, the physician and the expert accountant had entered many establishments for the first time. As for shipping, while the nation had lost 13.5 per cent. of its tonnage, it had gained so greatly in shipbuilding capital and equipment that, at the end of the war, it was capable of producing three million gross tons a year instead of the 1,900,000 tons which had been its previous proud record of output.

The entry of the State into trades of supply had naturally caused a good deal of consternation amongst the private agents who had performed that duty in peace. The ridiculous arrangements which had normally obtained for the distribution of wool, etc., had been swept away as lumber for which the nation had no use in war. On the very eve of the war, writing of the astounding economic waste which obtains in normal commercial distributive operations, I said: [1]

"For example, wool imported into Britain is chiefly used in Yorkshire, but the greater part of it is childishly landed not at Hull or Goole, but in London, where it is played pranks with by hosts of railway companies, carriers, warehousemen, brokers, auctioneers, etc. After having been played with, and *pro tanto* raised in price, it is gravely conveyed, again by competitive railway companies and carriers, to the worsted and woollen industries in Yorkshire. But this is to imagine no waste prior to the ridiculous landing at a port hundreds of miles from the place where the material is wanted. When we remember that in Australia, or Argentina, similar absurdities occur and similar uneconomic "livelihoods" are made out of the product by the wasted work of thousands, we have a picture of waste from start to finish which gravely reflects upon the competence of mankind. There is, of course, no need for such complications. The great State of Australia could transmit its wool simply and surely to a wool-consuming land like the United King-

[1] "The Future of Work," published in June, 1914, page 79.

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dom; here the wool department of the British Great State would obviously see that the wool was landed at the nearest port to its place of use. Not a broker, not an agent, not an auctioneer would be needed; the number of necessary carriers and distributors would be few through the simplicity of direction; the worsted and woollen industries would get their raw material cheaply and, at last, honestly, and thousands of men would be set free from work upon waste to do the economic work for lack of which we remain poor."

What I wrote of as an economic possibility two months before the war began was carried into practice in a number of trades. We did, *e.g.* as a nation, buy the whole of the export wool supplies of Australia and New Zealand. We did abolish the auctions and the unnecessary buying and selling and transport. And we did, as a consequence, effect great savings.

Even more remarkable was the fact that we found it possible to produce so much and to distribute so much while our labour power had been drained of its finest elements. We passed as many as 5,700,000 men [1] through the Army between 1914 and 1918, and between December, 1917, and the Armistice there were nearly 4,000,000 men on the strength. If we remind ourselves again of the facts about our fit manhood (page 31), we understand that these men represented much more to the nation than a loss of as many average men. It was the flower of our young men which was taken by the war. Nevertheless, the national organization gave us the wonderful results which have been broadly reviewed. In trade after trade, despite the loss of labour, we contrived to do, not worse, but better, than before. *With the national working power at its lowest ebb, national production was at its best.*

How was it that we surmounted the difficulties of deficiency of labour power? The answer is partly to be found in the addition to our productive powers of a considerable number of women and girls who volunteered for all sorts of productive occupations, from the healthy trade of agriculture to the deadly handling of "T.N.T." But, invaluable as this

[1] The figure sometimes used, 8,600,000, covers Indian and Colonial troops; here I am concerned with the drain on British manhood.

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WAR AND WORK:

STATEMENT SHOWING HOW THE ARMY WITHDREW MEN FROM INDUSTRY

STRENGTHS OF THE REGULAR ARMY AND TERRITORIAL FORCE, EXCLUDING OVERSEAS CONTINGENTS.

DATE	STRENGTH
August 4th, 1914	733,514
December, 1915	2,655,804
December, 1916	3,451,861
December, 1917	3,885,096
November, 1918	3,759,471
December, 1919	689,446
June, 1920	350,000

KILLED IN ACTION, DIED FROM WOUNDS, AND DIED FROM OTHER CAUSES.

(British Army only, including the Territorial Force.)

	OFFICERS	OTHER RANKS	TOTALS
4th August–30th September, 1914 ...	498 ...	5,663 ...	6,161
Year ending ,, ,, 1915 ...	5,070 ..	74,948 ...	80,018
,, ,, ,, 1916 ...	7,609 ...	117,637 ...	125,246
,, ,, ,, 1917 ...	9,529 ...	153,128 ...	162,657
,, ,, ,, 1918 ..	9,948 ...	149,233 ...	159,181
,, ,, ,, 1919 ...	1,530 ...	39,561 ...	41,091
TOTALS: 4th August, 1914, to 30th September, 1919	34,184	540,170	574,354

NUMBERS INVALIDED OUT OF THE SERVICE.

(British Army only, including the Territorial Force.)

PERIOD	NUMBERS INVALIDED
August 4th, 1914, to September 30th, 1915	39,412
October 1st, 1915, to September 30th, 1916	78,953
October 1st, 1916, to September 30th, 1917	93,692
October 1st, 1917, to September 30th, 1918	224,940
October 1st, 1918, to December 1st, 1919	241,899
TOTAL: August 4th, 1914, to December 1st, 1919 ...	678,896

[*Figures furnished to the Author by the Secretary of State for War.*]

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work was, it most obviously does not account for the industrial miracle that was accomplished, for while the men who passed through the Army numbered 5,700,000, the addition of female labour in all amounted to 1,600,000,[1] and, good as the women and girl workers were, it cannot be said that the substitution could be valued at unit for unit. We have to go further, therefore, for the greater part of the explanation, and it is as follows:

(1). So many of our young men were employed before the war, through no fault of their own, in useless occupations which added nothing to the wealth of the country, that when they passed into the Army it made no difference whatever to the national productive power. The extent of this factor will be better realized by reference to the statistics given on page 21.

(2). The remaining male producers, and the existing and new female producers, were so well equipped by the national organization that their productive powers were increased.

(3). As with men, so with women, there was a transfer during the war of units from non-productive trades to productive occupations (*e.g.*, a domestic servant became a turner).

Thus it was shown, in circumstances which made it peculiarly difficult to organize industry, that organization could atone for the loss to production of many millions of young men. *As will be seen by comparing the figures opposite with those on page 21, there were more men in the army in 1917 and 1918 than we devoted to all our manufacturing industries when the war broke out.*

§ 2: Destruction in the Name of Reconstruction

What had been so faithfully accomplished in war could have been developed and expanded in peace. In war the nation had been reconstructed, to employ a term which has been much abused. What might have become the foundation

[1] Estimate of the Ministry of Labour. It excludes domestic service, which undoubtedly decreased, and hospitals, in which the number of female workers rose from 33,000 to 80,000.

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of a new and better order had been well and truly laid. The nation had been wisely directed to do the things which were needed for its salvation in war, and in the process it had renewed and extended its industrial plant, which stood ready for application to the needs of society. The coming of peace found it in need of a better output for the purposes of civilization. The majority of its houses were a little worse than when the war began, and when the war began most of them were ripe for demolition. The provision of such useful goods and services as could contribute to a reasonable standard of comfort and material happiness were lamentably lacking at the end of the war, but not more so than at the beginning. For the great bulk of our people the Armistice brought the continuance, or resumption, of a hard struggle for existence, in which the majority of women grew old before their time through exhausting and unnecessary work forced upon them by the deplorable condition of housing, the lack of domestic equipment, and the deliberate and costly manufacture of smoke in our towns. The nation lacked any national or municipal organization of recreation or amusement, whether of playgrounds, or music, or the drama.[1] The great scientific instrument of amusement and instruction, the cinematograph, had been resigned to the exploitation of vulgar and often stupid *entrepreneurs*. The infrequent holidays of the workers, paid for in the forfeiture of income, were largely wasted, for no organization existed to make either the countryside or the sea available to the multitude. And always there lurked in the background of toil the dark shadow of unemployment, and the fear of extreme poverty and dependence in premature old age.

The goods and services required to furnish material comfort to our population are neither in point of quantity nor quality as hard to come by as the goods and services

[1] It is not commonly realized how small a proportion of the Metropolitan population is able to take reasonable advantage of a fine Bank Holiday. When "crowded trains" are read of, it is overlooked how relatively small a number of people is needed to fill holiday trains. The provision of well-organized public amusements is one of the crying needs of our time. After the fine Bank Holiday of Whitsun, 1920, London papers recorded how many of the relatively few who made the great adventure of seeking the countryside were stranded for the night in Surrey and elsewhere and had to be lodged in police stations and cinema halls.

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required to win a war. The material framework of comfort and of beauty needed in our towns and villages, considered as a problem of industry, is child's play compared with the construction of munitions of war. To compare a small, well-equipped house with a tank; a playground with an aerodrome; a cricket bat with a rifle; a cooking appliance with a field gun; a chair with an aeroplane propeller; is to contrast the simple with the complex. Yet up to Armistice Day, November 11, 1918, we had found it possible, with our greatly reduced labour power, to turn out such vast quantities of complicated, expensive and ingenious munitions that there was an enormous surplus in hand; and after November 11, 1918, we imagined it difficult to construct houses and decent equipment for the comfort of our people, although we had gained the power to call upon a very greatly increased amount of labour. The Government boasted of the success with which it suddenly stopped manufacturing munitions; it forgot to add that, as a matter of deliberate national policy, it refused to apply to the simpler problems of peace the methods which had been so extraordinarily successful in solving the difficult problems of war.

Every vestige of organization for national production was destroyed at the earliest possible moment. If in any particular case the Government held its hand, it was only through sheer fear of immediately terrible consequences. Whether in relation to food, or materials, or transport, or manufacturing, the private controllers of the nation's supplies and industry, who failed the nation so bitterly in the early days of the war, demanded the restoration of their ancient privileges, and the Government hastened to obey.

It has even to be recorded that, long before the Armistice, on July 31, 1918, only a few months after the terrible disaster of March 21, 1918, when still the issue of the war was in doubt, and even while the men who were charged with the responsibility of governing the country were making anxious preparations to bring the nation, if they could, through another year of warfare, under conditions which threatened to be far more distressing than any yet known, a deputation of the National Union of Manufacturers waited upon the Prime Minister and the Chancellor of the Exchequer

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to demand, not National Reconstruction, but the restoration of commercialism.[1] In reply they were assured by the Chancellor of the Exchequer (Mr. Bonar Law) that the Government wished to get rid of Government control as quickly as possible, although the Prime Minister (Mr. Lloyd George) added some words of warning which may well be put on record here: "Do not let us," he said, "despise what the German has won from combination. There is a lesson of the war which even the Germans have taught us, in the fact of the assistance of State action, of State help, of State encouragement, of State promotion and the combined effort among those who are engaged in all the industries of the country." But he also said: "When the war is over all the constant interference which may be absolutely essential now in order to direct and to concentrate the whole strength of the nation upon the war must disappear."

The deputation was good enough to express a mitigated satisfaction with these declarations. One of its leaders is reported to have said that the Prime Minister's statement "goes to a certain extent, though perhaps not quite as far, as some of us might have wished."

The nation's governors most faithfully kept their promises to the interesting agents who could not wait longer than the end of July, 1918, while still men were dying in heaps, to learn whether the control of work, which means the control of the people, was to be reconsigned to private individuals working for private profit. The nation's capital, which had been acquired under conditions of so much difficulty and stress, was incontinently sold out or offered for sale. As soon as the sound of "Cease Fire" reached the precincts of Whitehall, manufacturing for national purposes was brought to an end. The 130 National Factories and the many other national producing establishments became derelict. The nation had been pouring out shells at such a rate that, according to Mr. Churchill, Sir Douglas Haig's artillery had

[1] Surely the most remarkable example of haste on record. The German advance, which began on March 21, 1918, continued until July; the tide was not turned until July 17, 1918. As, presumably, this deputation must have asked for an interview a few days before it was received, it appears that within about ten days of the turn of the tide of the greatest war of history, the commercial interests in Parliament approached the Prime Minister for assurances as to the commercial policy of the Government!

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been smashing 12,000 tons a day into the German lines. The order of the day became: "Clean up the national factories and sack their employees." Freedom to buy or to sell the metals, whether in real or in speculative transactions, was at once restored, and the Government stocks were put on the market as though the history of what followed the conclusion of the Franco-German war had never been written. The result was that, as *The Ironmonger* put it on February 7, 1920, "the metal markets became a British Monte Carlo." The ships built, or building, were sold out. The national shipyards were promptly closed down to the barest minimum needed to prosecute the constructional work actually in hand. Even as to food, the obvious perils of a grave situation did not prevent the Government from contemplating the shutting up of the Food Ministry at the earliest possible moment, and the nation was actually told, in the face of what was really an alarming situation, that food prices would fall as soon as the reign of private profit was restored.

For the greater part the Press welcomed and approved the policy of destroying national organization. Indeed, there were not wanting organs which reproached the Government for keeping a Food Controller in being, and which, by way of thanks for escape from peril, denounced the officials who brought the nation through the war as "limpets" clinging to their offices and salaries.

The nation narrowly escaped the winding up of the Food Ministry. In the first half of 1919 the staff was cut down and inspectors dismissed; and that although 40,000 prosecutions had been necessary in 1918, of which 36,000 were successful. The administration of food orders became exceedingly lax. Magistrates encouraged the abuse of the public by lenient fines. On May 6, 1919, the then Food Controller (Mr. Roberts) delivered what he evidently believed to be the Swan-song of his Department. "These," he told Parliament, "are probably the last estimates which will be submitted in respect of a Ministry of Food.[1] Very reluctantly the Govern-

[1] This was despite the fact that in January, 1919, the Food Consumers' Council (the representative body wisely set up by Mr. Clynes to protect the interests of consumers and to advise the Ministry) had passed a unanimous resolution that the continuance of the Ministry "is even more important during the critical period we are coming to than it was during the war,"

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ment was driven by urgent necessity to continue the Ministry. Then the loose screws had again to be tightened, but it was no easy task, for the destruction of useful work had been only too well accomplished. How necessary it was to continue to defend the public may be gathered from the fact that nearly a year after Mr. Roberts' speech of May 6, 1919, prosecutions of profiteers were numerous; in one batch of cases heard on a single day at a provincial court fines of £1,000 were imposed for profiteering in fish.

The condition of the world's meat supplies should have forbidden the hasty decontrol which was contemplated as soon as the war ended. We had more mouths to feed than before the war, and private enterprise had neglected to provide adequate cold storage—a cardinal sin against an island people fed from without. Before the war we consumed 2,100,000 tons of meat a year, of which 750,000 tons were imported. At the end of the war we needed more meat, for our population had increased, but the home supply had fallen through the war from 1,350,000 tons to 1,000,000 tons. And very much more meat is needed, also, by the nations of the Continent. Knowing these things, or having no excuse for not knowing them, we talked of disestablishing the Food Ministry.

On March 5, 1919, it was stated in the House of Commons by the Deputy Minister of Munitions (Mr. Kellaway) that the 130 National Factories[1] had been divided into three classes:

(1). Seven factories which it had been decided to retain as State arsenals.

(2). Thirteen factories which might be leased or sold, but only on conditions which enabled the Government rapidly to regain possession if war should break out, and

and that "grave danger" would result from lessening the Ministry's powers.

Nor was the rapacity of many traders unknown to the Government. Profiteering was rampant in uncontrolled articles and ever seeking to cheat control. To give one illustration out of many, when Persian dates were controlled in price at 6d. per lb. the "enterprising" dealer offered them as "Tunisian" at 3s. per lb. until he was laid by the heels.

[1] There were nearly 400 National Factories and other national undertakings at work according to the Reports of the Comptroller and Auditor-General, but this number included those taken over from private firms. The 130 spoken of by Mr. Kellaway were presumably those built and owned by the State.

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(3). One hundred and ten factories, the majority of which "would be disposed of as rapidly as possible with a view to increasing the productive capacity of the country," but thirty of which would, for the present, be retained as stores.

Mr. Kellaway also said that one factory which cost £133,000 had already been sold for £140,000. He denounced as a fallacy the argument that as these national factories had saved the country in war they ought to be used to help it in peace. "The Government," he said, "could not hope to compete with private firms; this problem could not be solved by fiddling little experiments."

Apparently it did not occur to the Deputy Minister of Munitions that if the national factories were fiddling little experiments in peace they were that also in war. As a matter of fact, the national factories made an enormous contribution to war production, and, as we have seen in these pages, they did more than that. They enabled the Government to check contractors' prices and methods, so that the whole body of production benefited by the "fiddling little experiments." The use of this term also showed a curious lack of knowledge of the dimensions of British industry. Take the furniture trade, for example, which ought to be a great and noble industry. At the last Furniture Trades' Exhibition which I saw before the war the exhibits were of an exceedingly poor character in both quality and design, faithfully reflecting the stuff which is palmed off upon the middle-classes and the poor every day. As to the volume of furniture output, it was shown by the Census of Production of 1907 that "furniture of wood, upholstered or not," had a factory value in that year of only £7,449,000. Relating this to the Government's excuse for not employing national factories because they would be "fiddling little experiments," we see that the Government could have employed a small group of the national factories to produce much more furniture than the whole of the existing furniture trade, to say nothing of fitments for the houses so badly needed. Not a few of the factories were furnished with first-class wood-working machinery, so that everything was ready for this particular development. Such action would not only have created a great deal of healthy employment for ex-

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service men and others, but would have served to prevent the disgraceful furniture ramp of 1918-1920. Just as the National Shell Factories saved the nation from dear shells, National Furniture Factories could have saved the nation from dear and badly made furniture, at a time when the making of decent new homes was one of the main needs of the people. The turnover of work at the national factories from war to peace could have been accomplished forthwith in some cases, and in other cases after a few months of adaptation and development. And more than production was involved. The national factories were model establishments in which labour disputes, as the Prime Minister himself testified on more than one occasion, were rare, and in which unaccustomed provision was made for the safety and comfort of the workers. Thus, in a considerable number of cases, the "reconstruction of industry" had actually taken place, and when the Government sold out it deliberately destroyed in peace what had been built in war.

Thus, also, with the National Shipyards. When I saw them, just before the Armistice, they were models of their kind, considered solely as plants for industrial production. Few, if any, modern shipyards in the country could compare with them. They had been erected for less than a day's cost of the war, and could have been completed in a few months. They were remarkable not less for their social than for their industrial advantages. The garden cities which were in process of building, the sites for playgrounds, the hospitals, all alike made the enterprise a model industrial establishment and the possible centre of a great new hive of population, working under ideal conditions and in a beautiful unspoiled country, upon shipbuilding and other industries. The State possessed not only the sites of the yards, but much land suitable for industrial development. One of the most expert private shipbuilders in the country told me that he considered the enterprise "ideal" from a technical point of view; it was well on the way to being ideal also from the social point of view. The national shipyards amounted to reconstruction in being. Happily, the private persons who have bought part of the undertaking may develop what they have acquired as well as the State would have done; certain it is,

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however, that a properly ordered development of the whole of the surrounding area could only be made by a single public authority, working upon a general plan.

As with the national shipyards, so with the nation's ships.

When the Armistice came, the nation possessed, or had contracted for, 821 ships, of which as many as 417 had been constructed and put into commission; only 20 had been sunk. According to an official statement made to Parliament on March 5, 1920, the 821 ships were then accounted for as follows:

Of the 417 completed ships:
- 379 had been sold out to private shipowners.
- 20 had been sunk.
- 18 were for sale.

Of the 404 uncompleted contracts:
- 275 had been transferred to private persons.
- 129 had been cancelled.

The ships sold had realized a net profit of £2,400,000, which sum was the least advantage which the nation gained from their possession. The standard ship programme, for the initiation of which the nation has to thank Sir Joseph Maclay, undoubtedly contributed largely to the strengthening of the Allies' weak link—a privately owned and inadequately manned mercantile marine.

So the State which was recently the greatest shipowner in the country sold out its ships and resigned itself once more to the dangerous position which obtained when the war broke out. That is a statement which hardly does justice to the case, for a privately owned shipping to-day is a worse danger to the nation even than in 1914, when submarine warfare had never been put into practice on a large scale and when aerial warfare was in its infancy.

§ 3: Many Motor-Cars and Few Wagons

But we must not have regard alone to the national industrial undertakings, important as they are. What distinguished the conduct of the private factories during the war

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was that they were *compelled to make the things which the nation required*, and the essence of the change which has occurred since the Armistice is that the nation is no longer getting the things which it chiefly requires. During the war, for example, we shut down the making of pleasure motor-cars and concentrated the work of the motor engineers upon the equipment of military transport in many forms. When peace came transport remained fully as important as in war, but national direction of work no longer obtained. We scouted the idea that the nation had longer any right to demand the first essentials of efficiency, although we knew that our transport equipment badly needed renewal and repair. There was crying need for railway wagons and mine wagons; it was a need which we had ample means to satisfy. The factories of the country could, with hardly a week's delay, have been switched on to wagon construction. In actual practice, we thrust from us any organization of the supplies which were so sorely needed. On December 10, 1919, Sir Eric Geddes, Minister of Transport, complained that very much larger orders could have been placed by the railway companies for railway wagons, but that "the price that was being asked was enormous." [1] He went on to say, and this is of the first importance, "there was an alternative, and that was to do what the Government did in regard to munitions. Wagon-building, once they got the parts, was not such a very difficult thing. They did it with completely unskilled labour in France, at prices which compared favourably with any in this country. The State could undertake to set up wagon-building establishments, and that was prob-

[1] According to the report in the *Times* of December 11, 1919, the Minister of Transport said on this head:

"A 12-ton ordinary wagon to-day was being quoted, for delivery at an uncertain date, at from £350 to £400. That was £100 to £150 over the present railway shop cost of building. Even Woolwich Arsenal, which had never built wagons before, was able to build at £297. A 16-ton mineral wagon was quoted at a cost of £278; the present-day cost of building in the railway companies' shops was £200. Orders had been placed for 10-ton wagons at £270; the present-day cost in the railway companies' shops was £180. Other comparisons included 20-ton steel wagons at £359, against £270; a 20-ton goods brake van, £965, against £680 and a pre-war cost of £270; a covered goods wagon, £302, against £255; another similar wagon, £415, against £335. A 12-ton goods wagon at Woolwich Arsenal cost £297; the railway shops, £225; the outside cost, £360 to £395 and the pre-war cost was £90. (Cries of "Oh!") A railway fish wagon cost £1,090, as compared with the railway shops' cost of £353."

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ably the best thing to do. Wagon builders knew their own business perfectly well. If they preferred to make high profits now and export their output, the country must take such steps as seemed fit to provide for the further depletion of wagons. The Government would be criminally negligent if they did not provide for wagons for eighteen months or two years ahead. He believed that erecting wagons in the shops could be done by demobilized soldiers. At present they had a difficulty with the trade unions who were wagon workers, but the Ministry of Labour was dealing with that."

So we find the Minister of Transport, no less than a year and a month after the cessation of hostilities, threatening to build railway wagons and explaining with truth and conviction how simple a matter it is for the State to build them! But for thirteen months the State should have been building railway wagons and employing in the job a large number of men to whom instead it paid doles to maintain them while out of work through deliberate State negligence.

But that is not all. While railway transport was held up for lack of railway wagons, the private interests, who had had the control of the national economy restored to them, were busily at work constructing luxury goods. The Motor Exhibition at Olympia (November 7 to 15, 1919) showed that some seventy British firms were manufacturing motor-cars costing over £1,000 each. The exhibition also showed that the war profiteers were tumbling over each other in their eagerness to buy motor-cars of a properly expensive character. Soon after the show opened the misguided manufacturers found that their prices were altogether too low, and much below what the profiteers were prepared to pay. Prices were swiftly advanced during the show to accommodate the post-war luxury-hunters; in this we need find no cause for tears; probably those who received the prices were fully as entitled to the profits as those who paid them.

Thus is the nation served now that peace has come. There are many things that it sorely needs for its industrial and social development; it cannot get them, for private interests will only serve those whom it is most profitable to serve, and there is more money in flash motor-cars than in railway wagons, and more in picture palaces than in houses

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for the people.[1] In war we got the things which we needed because we insisted upon having them, and directly or indirectly controlled their manufacture. In peace, the simpler processes of re-housing and re-furnishing the homes of the people, or of re-equipping the coal mines and transport system upon which our wealth depends, are neglected because we are persuaded that the motives which failed us in war will serve us in peace.

The different sides of the transport problem were neatly illustrated by the Olympia exhibit and the approaches thereto. In the week of the Motor Exhibition any observer could contrast for himself the (relative) efficiency of the transport for the rich and the incredible inefficiency of railway transport travelling and railway transport in the Britain of 1919. Inside Olympia the glittering motor-cars; outside Olympia the untidy railway station known as Addison Road. To travel between, say, Euston Square and Addison Road is to understand what commercial economy can make of glorious inventions. A railwayman of many years' experience gave me a delightful account of the conditions which obtain on the Underground service; how the Metropolitan Railway takes you to Bishop's Road; how the Great Western takes you from Bishop's Road to Westbourne Park; how from thence you can travel by the Hammersmith and City Railway, or proceed onwards to the district in which the West London Extension holds sway from Latimer Road to Addison Road, owning no railway stock but just drawing revenue from the use of its property. And while enduring the long waits which are inseparable from such a muddle, one could admire at Addison Road the lines of little toy trucks, in various stages of decrepitude, decorated with the names of colliery proprietors, slate merchants, and others, to whom the silly and obsolete contrivances have to be returned after much shuffling and dangerous shunting and with great expenditure of the nation's coal. But, as I have said, the pleasure motor-cars

[1] Early in June, 1920, it was decided by the Government to stay all expenditure upon telephone exchanges and post offices, in the name of retrenchment! This, of course, means the deliberate holding-up of urgently needed economic operations. Simultaneously, all over the country, the newly-rich are employing an enormous amount of labour upon luxury building and decorations.

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inside Olympia were (comparatively) excellent, and an army of men is engaged, as I write, in making more of them and in dealing in them after they are made, even while British transport remains an ugly monument to the frustration of science.

§ 4: Unnecessary Imports and the Foreign Exchanges

Just as since the war ended we have very largely made the wrong things, so we have, in part, imported the wrong things, with serious consequences to the nation.

During the war, as I have explained (page 88), we strictly regulated imports in view of the stringency of the tonnage situation. As I have shown (page 116), our imports in 1919 were in point of volume far below our requirements, being 15,500,000 tons less than in 1913. Nevertheless, amongst the 39,000,000 tons actually brought in were many things which ought to have been severely restricted. In 1919 our imports from the United States of America amounted to £543,000,000, while our exports to that country, both of British and imported goods, amounted to no more than £65,400,000; so that on the exchange of goods there was an adverse American balance of £477,600,000! A very similar position obtains in 1920, during the first six months of which our imports from America enormously exceeded our exports to America. This extraordinary position of dependence upon American supplies, largely a result of the war, has been naturally reflected in the exchanges. In February, 1920, the American exchange fell to 3.20 dollars per £, representing a discount of more than 30 per cent. Thus our huge imports from America, both necessary and unnecessary, cost us heavily, and every family in the country was mulcted in a considerable sum because of the condition of the dollar exchange. As I write in July, 1920, the position has improved somewhat, but it is still very bad.

When the Armistice was arranged it was necessary to continue to control for a considerable period the nature of our imports, not only in view of the shortage of shipping, but because of the position that would arise as soon as the ex-

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changes were left to the unfettered action and reaction of uncontrolled trade. The nature of our imports from the United States in 1919 is eloquent of the need which existed for continued control. We brought in from America in the twelve months £102,300,000 worth of manufactures and £34,100,000 worth of tobacco. When allowance is made for commodities such as railway trucks, machinery and manufactured materials of prime importance to our industries, it is clear that these imports could have been reduced so greatly as to affect the exchange to some purpose.[1] It was inadvisable to permit the importation of £34,000,000 worth of tobacco, of over £5,000,000 worth of apparel and textiles, and of a great quantity of motor-cars and other luxuries when such importation raised the price, through the exchange, of every necessary article that we bought from America, including wheat. There should have been a stern restriction of luxury imports, as there was in the war, and for the same good reasons. The chairman of a well-known banking house recently took occasion to denounce the importation of champagne, but the importation of champagne from France is fraught with much less injury to the national economy than the importation of unessentials from a quarter where we are already exceedingly in debt. Champagne from France means part payment for our big exports to France or repayment of French debt to ourselves, the exchange being greatly in our favour; an unessential import from America means a further addition to a pile of indebtedness.

§ 5: The Post-War Rise in Prices

The resumption of disorder as a national policy at the end of 1918 was quickly followed by a great rise in prices. There was no excuse for not knowing that this would be the case. It was unfortunate that the Government should announce to the people,[2] even while it was de-controlling a

[1] Both France and Italy have in 1920 restricted unessential imports.

[2] Mr. Lloyd George at the Industrial Conference in February, 1919, said: "By the summer (1919), I hope, the cost of living in a working man's household will have gone down by about 4s. a week. By the end of March you will have achieved about half that."

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large variety of commodities, that prices would fall, for it knew that nothing but Government action had saved the nation from much higher prices during the war. We also knew that, in a commercial market, a small shortage is sufficient to cause a great advance in price. We also knew, or had no excuse for not knowing, that after the Franco-German war there was a price boom which subsequently led to disaster. After the conclusion of that war prices rose to heights which, although lower than those which now in some cases obtain, were sufficiently serious. In 1873 Cleveland pig iron touched 130s., but by 1879 it had fallen to 39s. Hematite pig, f.o.b. Cumberland ports, averaged 170s. per ton in 1873. The North of England average selling price per ton of rails, plates, bars and angles was in 1873 £11 9s. per ton. Straits tin rose in 1872 to £146 per ton. This inflation was followed by slump and disaster which plunged thousands of heads under water and caused great distress. This lesson of history was lost upon the Government. *Prices were to come down, owing to the beneficent action of commercialism.* Of course they did nothing of the kind. Prices rose all round, and in almost every case where de-control occurred the public had to pay heavily for the restored right of commerce to buy in the cheapest market and to sell in the dearest. Palm kernels promptly rose upon de-control from £26 to £43 per ton; cotton seed from £19 to £35; copra from £33 10s. to £58; barley from 67s. to 95s. 2d. per quarter. The case of veal was a very bad one. The "expert trade advisers" urged the Ministry to de-control; the Ministry foolishly followed their advice; the price of veal immediately jumped from the controlled price of 1s. 8d. per lb. to 4s. and 5s. per lb., which led to such a slaughter of immature calves that the milk supply of future years was greatly endangered. Then veal was re-controlled, after considerable damage had been done. A neat illustration of private profit *versus* national interest.

In January, 1920, the then Parliamentary Secretary to the Food Controller (Mr. McCurdy) made the following official statement as to the consequences of de-controlling bacon:

"After a great deal of agitation it was decided to take off the bacon control. Immediately all sorts of people began to

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trade violently in bacon. Prices went up, and the profiteer began to reap a happy harvest. We began to receive bacon of qualities which are quite unsuitable for this country. . . . We were compelled to put on the control again in order to secure the country's supply. And that is how the bacon rotting at the dock business came about. It was not our bacon. It belonged to the private traders who had assured us that de-control would lower prices."

The reference in the last part of this diverting statement was to the fact that the Ministry of Food was publicly charged with buying bacon and allowing it to rot; as a matter of fact, the bacon in question was the stuff which was rushed in, by what is euphemistically termed "private enterprise," during August and September, 1919, the period of de-control.

In a further statement issued on May 17, 1920, the Food Controller (Mr. McCurdy) pointed out that the price of food had increased less, and not more, than the prices of commodities in general, and he illustrated his point by a table in which he compared food prices with the wholesale prices of certain groups of commodities. Here is the table, in which the prices of 1914 are taken as 100:

Date	*Labour Ministry retail Budget*	*Wholesale figures from the "Economist"*			
	Food	*Cereals and Meat*	*Textiles*	*Minerals*	*Rubber, Timber, Oils, etc.*
July, 1914	100	100	100	100	100
May 1, 1919	207	226	245	196	233
Jan. 1, 1920	236	249	396	247	263
April 1, 1920	235	*260	482	268	309
May 1, 1920	*246	259	477	265	209

It is strange that the meaning of this statement escaped attention. Food has risen in price less than many other commodities because control has to a greater measure re-

* The effect of the partial withdrawal of the wheat subsidy is reflected in the index number for wholesale cereals in April, and in the index number for retail foods in May.

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mained in regard to food. If the Government had continued the policy of national organization the prices of general commodities would have risen no more than—in some cases not so much as—food prices. Not that the food policy has been thorough. The bread trade could have been taken over and better average bread sold with great saving. The oleaginous produce of West Africa should have been treated as a public asset, manufactured in national factories with a proper proportion of animal fat to give the necessary dietetic qualities, and sold cheaply to the people. In the war the Food Ministry insisted on a standard margarine; now we permit the sale of an inferior article at a higher price.

The effects of de-control upon price were again illustrated at the beginning of July, 1920, when all control of British live-stock and meat came to an end. Immediately there was a ramp in British meat. Home-grown beef which on Saturday, July 3, was 95s. per live cwt. rose on July 6 to from 105s. to 131s. per cwt., and the retail price of rumpsteak rose from 2s. 4d. on the Saturday to 3s. 4d. on the Tuesday. Immediately the very newspapers which had been denouncing control and which had been demanding the dismissal of every war-time servant of the State, broke out into violently indignant head-lines. Fortunately for the public, as Mr. McCurdy, the Food Controller, observed, imported meat was still under control, and it proved to be impossible to hold the consumers of home-killed meat to ransom. Unfortunately the public has no such help in respect of many of the articles which the Government secured cheaply for the nation in war but which we have now to buy dearly in peace.

§ 6: The Wool Folly

An account has been given of the wise, and in the true sense of the word, businesslike methods by which the War Office gave the British and Allied armies and the nation relatively cheap wool and clothes in the war.

The studied resumption of disorder has had its heavy price for the public in this as in other matters. In the case of wool the results have amounted to a grave misfortune.

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The soldier was clothed efficiently and cheaply by State Socialism. The ex-soldier, returned to civil life, finds himself held to ransom when he buys civilian clothes. In a case I have at first hand, a private soldier wounded in France and captured by the enemy (who treated him very well) was upon his return to his native land charged eight guineas for a jacket suit. He was so unwise as to pay in advance the heavy price he could ill afford. The suit was very badly made and the tailors refused to put it right; he had paid in advance! It is clearly impossible to deny that at least private enterprise was not killed by the war.

The work of the War Office had been so triumphantly successful that it seemed impossible that such an object lesson could be forgotten. Everything was possible, however, to a Government with so strong a faith in traffic for gain.

The Wool Department of the War Office was extinguished and the fate of wool resigned to the Ministry of Munitions which, as we have seen, was engaged in shutting down all its successful national activities. A Wool Council, described as a "representative trade advisory body," was set up to consider the matter. This body had violent differences, for masters and men sat upon it. In the end the competent authority decided to end the control of wool and to re-open the auction sales of the pre-war conditions. This was done in April, 1919.

The result, unfortunately for the nation, was an instantaneous success for private enterprise. In the words of the Wool Profiteering Report (Cmd. 535 of 1920), "prices rose phenomenally." The Ministry issued some 450,000 bales of wool at the fixed low prices in the hope of keeping things steady, but it was in vain and a mere gift to the trade. Fortunately, the Government owned the Australasian wool, so that the heavy auction prices brought grist to the British and Australian exchequers,[1] but on British wool (now de-controlled) the farmer made a splendid haul. British wools, which in July, 1914, sold for from 12½d. to 22d. per lb., and which the War Office had bought in bulk in the war at a

[1] It was stated officially in Parliament that up to March 31, 1919, the amount of profit due to the Australian Government was £6,486,991; this means that the British exchequer made a similar sum under the agreement, for the profit was to be halved between the two parties. This in addition to a great saving in costs.

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60 per cent. advance, rose by December, 1919, to prices ranging from 28d. to 84d. per lb. Australasian wool of finest quality, which in July, 1914, fetched 30d. per lb., soared in December, 1919, to 150d.

From this we may imagine what would have happened in the war if Socialism in wool had not prevailed. The restoration of the uneconomic and ridiculous wool auctions and the general de-control of the wool industries made the public position worse in peace than when the submarines were doing their utmost.

But the opponents of State control had still an argument left. Observe, they said, the Government is profiteering in wool! As a matter of fact, if the Government had given away to the trade the whole of the Australian wool clip which it had bought, the price would have soared just the same. Thus the 450,000 bales which it issued to the trade at low prices helped the public not at all, because the trade was free to profiteer. As the Profiteering Committee said: "Such distribution (the 450,000 bales) has not had the corresponding effect of keeping down the prices of clothing to the public."

All control ending, commercialism worked to its appointed end. At each stage in the trade a big margin was put on, and woollen clothing mounted to giddy heights, with every shopkeeper telling us to buy at once, for worse was to come. Again to quote the Wool Profiteering Committee: "The release of wool from control in April (1919) has been followed by a very great increase in prices and consequently in the cost of woollen goods." To quote the Worsted Yarns Profiteering Committee (Cmd. 550 of 1920), the worsted spinners were making for November-December, 1919, delivery, yarn at a profit, on a trade paper basis of costs, of 13d. to 43d. per lb. profit, and on their own basis of costs, 8¼d. to 34½d. per lb. profit.

The Wool Council, to do it justice, when it found that wool was rising as a result of de-control, proposed a standard clothing scheme. The proposal was that 50 million yards of cloth should be manufactured on the war-time plan of fixed price for wool and fixed margin of profit for each stage of manufacture. The Board of Trade squelched the

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scheme, being then violently enamoured of a Profiteering Act by which any citizen could, at his own expense, act as common informer against a shopkeeper! "As a result," says the Profiteering Report, "the general public was left with no protection whatever."

One may well wonder whether it will ever occur to any considerable number of people that it would be a decent convenience to be able to buy cloth made honourably and sold honourably, with clear and truthful information as to its composition and quality. That is how the Government bought cloth of wool in the war, and it was able to do so because, owning the material and checking manufacture at each stage, it knew exactly what was being sold and bought. It is suggested here that the tricks of trade are unworthy of scientific industry and a shame to the nation. Why not make an end of them and reduce this matter of wool buying, and combing or carding, and spinning and weaving, and dyeing and finishing, to a great and noble profession? It might be a thing of beauty and of pride. Why not make it so?

§ 7: The Post-War Company Promotions

The post-war company promotions have been on a gigantic scale. According to the data compiled by the London Joint City and Midland Bank, the new capital issues in the United Kingdom, which had fallen to £26,000,000 in 1917 and £65,000,000 in 1918, rose to £237,000,000 in 1919, and to £193,000,000, or at the rate of £579,000,000 a year, in the first four months of 1920. In no small part these flotations represented the selling of old businesses to British investors at inflated war values, and formed no real addition to the material capital of the country. The present writer made a public protest on this subject in giving evidence before Lord Shaw's Transport Workers' Inquiry on February 19, 1920. The Chancellor of the Exchequer, Mr. Austen Chamberlain, speaking in the House of Commons on March 16, 1920, said:

"I must say that I think that those who are capitalizing and recapitalizing old businesses on the basis of the present

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inflated profits are entering upon a most dangerous task, are taking a great responsibility, and are laying up for themselves, if they continue to hold any interests in these concerns, and certainly for those whom they induce to come into them, as well as for the country, very perilous future problems.

"I would utter that word of warning and invite financial circles in the broadest sense to realize that the deflation which they have called for cannot be carried out by the sole action of the Chancellor of the Exchequer or of the Government. The prevention of the evil needs their co-operation, and that criticism of the demands for credit that are brought to them which I am supposed to exercise over the demands for credit which are brought to me."

In spite of these words the capital issues of April, 1920, amounted to nearly £46,000,000, and the issues of May, June and July aggregated £91,000,000. The discontents of our time will be magnified by setting the employed to earn dividends, if they can and will, upon a new set of fancy valuations.

§ 8: Creating and Paying for Unemployment

Possessing the means to employ not only the munition workers, but every available demobilized soldier upon good productive work badly needed by the nation, we preferred, in pursuance of our worship of disorder, to make derelict our national undertakings and to pay enormous sums to those whom we either threw out of employment or to whom we offered unemployment as a reward for their services in the fighting forces. Nor is the quantity of unemployment to be measured by the melancholy figures published by the Ministry of Labour,[1] nor the denunciations by military commanders of the number of ex-officers seeking suitable situations.

Just as before the war we had a great army of men and women engaged in work which meant nothing or less than nothing to national production, so, upon the resumption of

[1] As late as June 4, 1920, there were 192,200 ex-service men claiming the out-of-work "donation"; of these 24,600 were disabled men. At the same date 5,921 ex-officers and 7,395 men of other ranks with similar educational qualifications were seeking situations.

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commercial operations, the old useless jobs were revived, attenuating the stream of useful commodities and services. When I hear of a brave young officer who has obtained work in one of the subsidiary occupations connected with the boosting of very commercial goods, I take note of an unemployed man driven to unproductive labour because he can find nothing better to do. The shop assistants have drifted back to the redundant shops; the hefty doorkeepers are appearing in gorgeous uniforms at the portals of picture palaces and restaurants; the lift attendants are back, condemned to spend their lives in racing up and down between the ground and sixth floors of suites of offices occupied by middlemen. Any day you can see ex-soldiers with ribbons on their chests catching taxis for wasters in the West End of London or herding in theatre queues the middle-class people who are content to sit behind the stalls on bits of board in the pit. Where the war offered a man a man's work, peace too often offers him a mean dip into the results of the work of the too limited number of useful producers. Unemployment and misemployment are one and the same from the point of view of national economy, save for one thing, that the misemployed man, while equally producing nothing with the unemployed man, consumes more than the unemployed man.[1]

[1] The following report of a case heard before the Hampstead magistrates on May 26, 1920, is from the London *Evening News:*

A youth aged 17, fined 20s. at Hampstead to-day for obstructing the police on Bank Holiday, said he earned 29s. a week.

The lad's mother said he was a good boy. Out of the money he earned he helped to support her and her other children.

The Chairman: "Where does he earn the money?"

The Mother: "At the Unemployment Exchange."

The Chairman: "Do you mean he receives 29s. a week unemployment pay?"

The Mother: "Yes; he joined the Army under age and I got his discharge in order that he might support me and the children. That was seven months ago and he has done so."

The Chairman: "Has he received 29s. a week for seven months?"

The Mother: "Oh, yes, sir; you see, he has been unable to obtain work."

The Chairman: "It is the most disgraceful thing I have ever heard of. While the Government continues to make such a payment to him the boy is never likely to get work."

This simple story deserves to be preserved for the amusement, if not for the edification, of succeeding generations. The indignation of the magistrate that an ex-soldier who had the courage to join the Army under age should have drawn for as long as seven months no less than 29s. a week from a Government which refused to find him work to do, makes one wonder what would have been his comments upon the case of the ducal royalty owner who admitted to the Coal Commission that, as coal-owner, he gave no service to the nation in return for royalties amounting to £3 per hour.

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A curious example of what the nation loses in labour power by the misemployment of capable men may be found in the fact that we find the Government turning girl clerks out of Government offices to make room for ex-service men. I have been told of cases in which young girls doing clerical work which they were well fitted to do have been cast on the unemployment market after being invited to teach their soldier successors how to do their unmanly work. The nation is badly in need of the work of men; of work which women cannot do, or cannot do as well as men. The policy of disorder puts men into women's jobs even while there is more than enough men's work for men to do.

And it is only a matter of a little time before the unemployment problem will again press with exceeding severity. The alternations of feverish activity and dull depression which have ever characterized commercial operations, and which are inseparable from an unorganized society, will follow in due succession, and each slump will add its quota to the human wreckage of our towns, as in the past. We had the opportunity to develop the war organization of industry, to pool trades, to make the maintenance of all workers at least as good and as regular as that of our working horses. We have preferred at once to recognize and to avoid the results of our action and inaction by enlarging the scope of insurance against unemployment, a thing good in itself as a palliative for commercial conditions, but none the less a plaster for a disease which need not exist.

The economic cant of the day is all of Production, Production, Production, and again, Production. Strange that we should talk so much of production at the end of a war in which we produced as never before, and in the early years of a peace in which we have power, far more than in war, to organize every person capable of production to add to the national wealth.

And what of the women?

It was not enough that the war blasted the lives and hopes of so many women by killing off over 600,000 of our finest young men and thus increasing the already growing majority of women in the State. The Government used every inducement that it could think of to draw young women

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into industry, and it succeeded very well. The women rose to the occasion, adapted themselves to factory work and other arduous labour, and earned a debt of gratitude which the nation as a whole would be hard put to it to repay. I do not think there is any record of the killings, and poisonings and maimings of women in war work, but they were undoubtedly very great. The employment of women in T.N.T. and picric acid work, for example, while grown men were left to carry on middlemen occupations, was a very shameful thing. How has the nation repaid the debt to women? There is no more deplorable phase of the resumption of disorder after the war than that which occurred in this connexion. The women who had done so well in difficult and dangerous operations—even those who had worked with machine tools, and lifted heavy loads, and handled poisonous compounds, and taken the risk of working upon high explosives—were incontinently sacked from employment, thrown an unemployment dole, and requested to look to private employers for their future governors.

What is the position? Between the killing off of so many men, and the induction of so many new women workers into industry, Woman is cheapened in the State as a result of the war—

> Women are cheap, and since they breed the race
> The race grows cheaper; so the price is paid
> In beggared lives that never know a prime.
> The voice of Sacrifice comes down the years—
> "Forgive them, for they know not what they do";
> Who shall forgive the sin of those that know?

A great deal of eloquence was poured upon women workers during the war; who remembers them now? What does commerce make of women and their work, their lives and their happiness?

It was not well to create a new army of women workers and then to cast it upon the tender mercies of industrialism in peace.

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CHAPTER IX

THE EXISTING NATIONAL FRAMEWORK

§ 1: Some Things not Sold

IT may be said of Socialism, as of treason, that it doth never prosper, for when it prospers then it is not Socialism. If the nation has sold out its ships and shipyards, its factories and workshops, its stores and its materials, it has still left, fortunately, some things which no capitalist Government, however desirous of applying the proceeds of liquidated capital to current expenditure, is likely to propose to put up to auction. We still, as a nation, are left in possession of a considerable amount of property. In 1910 [1] I made a conservative estimate of this property as then worth a little less than £1,920,000,000, of which £550,000,000 was Imperial property and £1,370,000,000 the property vested in local authorities. The former sum was by £212,000,000 less than the then existing National Debt, and the latter sum was by £762,000,000 more than the then existing local indebtedness.

The property in the possession of the Imperial Government was made up of ships of war, naval and military material and stores, Government shipyards, dockyards and arsenals, public offices, museums, galleries, and their contents, Government factories and workshops and their plant, Post Office, telegraph and telephone capital, etc.

The public property vested in local authorities, in which for convenience I include the 2,000,000 acres of common land in England and Wales, the main roads and minor roads, includes parks and open spaces, offices, houses, schools, markets, asylums, workhouses, bridges, sewers, lighting systems, gas works, electric light and power undertakings, tramways, waterworks, reservoirs, etc.

[1] "Riches and Poverty," 1910 edition, pages 65-68.

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This vast amount of property, estimated to be worth nearly 2,000 millions in 1910, and now certainly worth much more at a commercial valuation, forms a social framework without which life, conditioned by the commercial system, would be intolerable. Together with the Socialist services of the central and local authorities, expressed in the judiciary, the currency, public hygiene, industrial insurance, the protection of just measurement, the police, etc., they constitute the fabric which distinguishes civilization from barbarism. The measurement of such publicly owned and controlled services and supplies is the measurement also of the degree of civilization to which any nation has attained. So curiously is this point overlooked in post-war discussions that in a recent book by a gifted writer [1] we find recorded, as something which existed before the modern capitalist system but which has been since repaired by Capitalism, that in England in the time of Henry VIII "the streams and ditches were blocked with filth, dead animals, offal and every kind of refuse," and that, whereas "the Middle Ages gave us beauty complicated by stench and the Black Death, Capitalism has provided an enormously greater output, better sanitation, and better houses, but has not yet given much thought to beauty."

Now, as a matter of historical truth, the petty capitalists of the days before machinery never stirred to abate public nuisances, and their successors enormously added to them. It was the action of the community, and that alone, which, little by little, and step by step, destroyed the evil public consequences of individual neglect. Plague and pestilence were beaten by public action, and by public action alone. In all the world at this moment there are very few examples of sewer systems in the possession of vested interests.[2] If, however, the peculiar virtue sometimes alleged to attach to individual enterprise and to private management really exists,

[1] "The Case for Capitalism," by Hartley Withers, page 137.

[2] Mr. Emil Davies records in "The State in Business" that there is a Rosario Drainage Company and a Valparaiso Drainage Company and that both are run with British money. The Rosario Drainage Company made nearly £41,000 worth of profit out of the drains of Rosario in 1913, and the citizens of that favoured town are compelled to connect their houses to the company's drain pipes.

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those who believe in it should certainly demand the selling out of the sewers.

As with drainage so with all the supplies of goods and services to which we have referred as being wholly or largely in the possession of public authorities and worked as Socialistic or Communistic undertakings. It is impossible to deny that each of them could be resigned, and has been resigned at some time more or less remote, to private enterprise. Even law begins with lynch law, and it is but yesterday in the world's history that captains of fortune waged war on land and that under letters of marque privateers ranged the high seas. The sea-pirate with a licence was not formally abolished until the Declaration of Paris of 1856. If, in these pages, the appeal is made to opinion to consider great services of primary importance proper subjects for communal rather than private action, it is merely to make, in respect of the arts of peace, representations which were made by Machiavelli to Lorenzo the Magnificent, as to the danger to a State which lay in the employment of mercenary military commanders.[1]

The progress of civilization is to be measured by the degree in which matters of common concern are transformed from the domain of private profit and selfish adventure to that of common ownership and of public control. The only security of civilization is found in the extension of public order. Not in one country alone but throughout the world we have witnessed in recent times an ever growing tendency to widen the national control of economic powers. Everywhere Governments have increasingly realized that as long as control of economic operations is vested in private persons, vested interests exercise authority which is inconsistent with the welfare of States. Even in countries where the greatest amount of prejudice has existed against national ownership,

[1] "Mercenary captains are either very capable men or not; if they are you cannot rely upon them for they will always aspire to their own greatness, either by oppressing you, their masters, or by oppressing others against your intentions; but if the captain is not an able man, he will generally ruin you. . . . As an example of mercenary armies in antiquity there are the Carthaginians, who were oppressed by their mercenary soldiers, after the termination of the first war with the Romans, even while they still had their own citizens as captains."—From "The Prince," by Nicolò Machiavelli, the statesman of the fifteenth century.

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as in the United States of America, an ever increasing volume of legislation has been directed against the powers of private government exercised by individuals wielding great masses of capital. The greater part of the world's industrial and social legislation amounts to the public registration of complaints that the private ownership of capital is inconsistent with the welfare of the community, and to attempts to redress the crying evils arising from such private ownership.

§ 2: Profit and Utility

The private government of national economy inevitably leads to the neglect of the very factors which require most care and attention.

Health is the greatest of all physical goods, but private enterprise can find in devotion to it no prospect of rapid gain. So far from regarding health as wealth, private enterprise has seen in the prosecution of methods of quick gain-getting a thousand ways of destroying health, with consequences which the war forced upon our attention in the rejection for military service of a large proportion of recruits.

Access to sunshine is a prime condition of health. Sunshine is not "wealth," either to the business man or to the commercial economist, and all that commercialism has done in respect of sunshine is to create conditions which have denied it to millions of houses and tens of millions of people, so that tuberculosis claims every year its host of victims.

Afforestation is a national need of primary importance. Trees, however, make a slow-growing crop, and private capital is not content to wait forty years for harvest. The result is that Britain produces very little timber, and was imperilled in war as a consequence, just as she is deprived in peace of a great good which she might easily have had by State effort. The improvement of rivers and of ports, the construction of canals, the formation and maintenance of roads, are amongst the most important of economic factors, but again

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the private adventurer will do little or nothing for them, because their conditions are such as to make the garnering of commercial profit difficult or impossible. Where these things are successfully accomplished in the world it is by public enterprise. Thus Panama was once the name of a scandal, in spite of the genius of a great engineer; national enterprise has made it the name of a tenth wonder of the world.

When we pass from the things from which the commercial spirit shrinks to those in which it actually seeks and finds profit, we find that in an exceedingly large number of cases the field of endeavour is not adequately or even well explored. The industry is tackled as a source of profit, and only those parts of it are touched which bid fair to yield the most profit. If we desire fully to understand the contest between utility and the motive of profit, we can do so by considering the case of one of the few British State undertakings, the Post Office. Let us imagine that we had been foolish enough to resign the business of letter-carrying to private enterprise, and observe what would surely have happened.

In the considerable centres of population there would have arisen a number of competitive letter-carrying firms, each with its separate proprietors, separate managers, separate vehicles, separate offices and separate accounts. Some of these would have beaten the others out of the field, with much waste of capital and labour, and in the course of a little while there would have been left in each of the main centres of population a few successful postal firms or companies. Some of the more enterprising of these would have established communications between town and town, and some of them, probably, in process of time, would have served considerable areas in competition with others. Sooner or later the country would have been covered by a considerable number of postal concerns, developing into various postal combinations or trusts. Great profits would have been made in the crowded centres, and this would have enabled the original capitals to be watered and converted into bigger capitals demanding their annual toll of interest, even as the £200,000,000 worth and more of water in our railway capitals

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now demands interest. We should have grown to consider such a sum as threepence or fourpence cheap for the transmission of a letter between London and Glasgow. Above all, let us observe that this postal service would never have run at all in thinly populated districts, for it would not have paid private enterprise to seek them; the big profits from the crowded areas would never have been used to provide facilities in the sparsely populated areas, any more than the big profits from the most easily worked coal mines are used to economize and serve the country's poor but yet invaluable coal seams.

Thus it is with many of our most important industries. It is true that they are adventured in, but their possibilities are never thoroughly, or even adequately, explored. It is true that the private voyager puts out to sea in them, but he sails where he can pick up the most easily won freights. Such has been the history of our railways, of our mines, of our canals, and of most of our manufacturing trades. And the same influence operates as between the development of necessary and unnecessary trades, of good and evil trades. The decrepitude of railway transport, coincidently with the swift development of luxury motor transport, is one illustration; the decayed and filthy houses surrounding the flaring gin palace is another. There is rapid profit to be made out of the vile public-house at the prominent corner; there is slow and tedious profit to be made out of building beautiful houses for the people.

Because we have an efficient Post Office which gives us services at charges (I speak not of the pre-war charges, but of the new rates of 1920) extraordinarily low as compared with those which we pay for privately organized supplies, we are only too likely to overlook the supreme value to a State of nationally organized postal services. We have learned, as people have done in all other countries, without exception, to expect and to get thorough efficiency from such an organization. The thing becomes a matter of course. We never expect private enterprise to be as thorough as the Post Office, for experience has taught us that it is rarely that a private contract is performed to our entire satisfaction, and that however we hedge our dealings round with pre-

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cautions, we have to be wary to the end, and to examine carefully every detail of what is supplied to us under conditions which, at every stage and in every detail, are a direct inducement to the contractor, at the worst to break faith with us, and at the best to do the least that need be done. It is fortunate that even in the Britain of *laissez faire* we are left, at the end of the war, with some great national and municipal services which no politician or vested interest dare suggest should be sold out for exploitation by commercial methods.

It is unfortunate that still so many amenities of the first importance are imperfectly and inadequately supplied by the authority of private governance. Never until the main necessaries of existence are produced by nationally concerted effort will our houses be as efficient as our roads; our milk supply as our sewers; our mines as our Navy.

§ 3: The British Telephone Service

A curious illustration of our expectancy of efficiency from State services is to be found in certain criticisms of the British telephone service since it became a national enterprise. Those who remember the conduct of the telephones by the National Telephone Company know that the public telephone service now, with all the difficulties caused by the war, and in spite of the fact that the Post Office cannot obtain material from the private contractors who alone have the opportunity to supply it, is much more efficient than in normal conditions of peace under private control. I myself have been always a considerable user of the telephone, and it is a distinct pleasure to me to contrast the present London service, with its access to 320,400 subscribers (March, 1920), with the poor system of the National Telephone Company, which gave me access to 232,000 subscribers (December, 1911).[1] Those who have short memories on the subject

[1] In the same period, December, 1911, to March, 1920, the provincial subscribers increased from 469,000 to 595,000; aggregate growth for the nation, 701,000 to 915,000.

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should refresh their minds by reference to the Press in the days before the Post Office took charge of the telephones.[1]

It is perfectly true that while the telephone service is better now than it was under private control, it is not as good as it would have been if there had been no war and if manufacturers could deliver material. The very competent public officials who now manage the service say, in a very proper spirit, that they can and will make the service better, and do not pretend that in 1920 it is either what it might have been or what they desire to make it. That is what we expect from such men. The main thing which at this time prevents a great expansion and improvement of the service is, curiously, the *failure of private enterprise to deliver material.* The Post Office does not manufacture; it has to buy manufactures.

Unfortunately, too, the Post Office operators have to contend with the grave element of inefficiency which exists in so large a proportion of business houses in the use of the telephone. In my own experience the chief difficulty about the telephone is to secure proper attention to it from the subscriber at the other end. In this, as in so many other matters, private firms do not seem to realize how necessary it is to practise a good method. The telephone girl gives us the number, and we explain who we are and whom we want. A youthful voice usually bids us "Wait a minute," with the not infrequent addition "while I find him." Often, after a prolonged wait and an appeal to the unfortunate telephone girl to wake them up at the other end, a second voice is heard asking who we are, as though we had not already carefully explained both our name and the object of our call. This is so common that I learn to expect it. Another source of frequent inconvenience is the fact that a number of different concerns use the same telephone number,

[1] The following extract is from *The Economist* of April 2, 1898:
"The simmering discontent at the costliness and inefficiency of the service provided by the National Telephone Company, which has been practically coincident with the existence of the undertaking, has lately become more pronounced." In the same issue *The Economist* spoke of "the dearness and admitted unpopularity of the service."
Again in 1908 the *Times* contained letters from subscribers bitterly complaining of inattention and exactions. The company service was a scandal.

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so that when we ring up one of them we have to be privately connected through an imperfectly operated domestic switchboard. On many occasions I have had much valuable time wasted by errors arising from performances of this kind. I dwell upon this point because it illustrates much more than telephone work. There is an amazing lack of scientific method in the conduct of the majority of British business firms, not a few of whom unfortunately despise method as unworthy of "practical men." In Government establishments one has rarely such difficulties with telephones.

The National Telephone Company, when it knew that decision had been made to buy it out, allowed its plant to run down, and it was a deteriorated system which the Post Office took over in 1912. As the war began on August 4, 1914, the officials had one year and seven months in which to improve the property. In that time they effected great reforms, including the complete renewal of the plant of some exchanges. The war arrested the Post Office work, and since the Armistice manufacturers have been unable, as I have said, to deliver material. Hence the dissatisfaction of the officials with the result of a system which, although an improvement upon the private undertaking, is far below their ideal. The automatic telephone has been introduced, in spite of the difficulties of the situation, in some towns, and before long will be in universal use. On the technical side it is merely ridiculous to abuse the Post Office, for its work is famous throughout the world and respected and admired by everyone whose opinion is worth having.[1] The value of the criticisms that have been printed by those who seek in the telephones a weapon with which to assail the principle of nationalization, may be gathered from the fact that in a recent series of Press articles fiercely attacking telephone nationalization, the cases of several countries were adduced by way of reproach to the British system, as to which the writer of the articles was ignorant that they were nationalized systems. One of them was Sweden, which, under public administration, has what is probably the best

[1] The late head of the British telephone service, Sir William Slingo, has just been to America in an *advisory* capacity.

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telephone service in the world.[1] It is sometimes said that the fact that the telephone is more in use in America under private ownership than in England under public ownership is a proof of the superiority of private enterprise. As well might it be adduced that there are more motor-cars in use in America than in England, as having relevance to the principle of nationalization. The fact is that British business men are not sufficiently alive to the value of the telephone, as they are in other countries. In Sweden, for example, there are more than three times as many telephones as here, in proportion to population.[2]

To name Sweden as a reproach to telephone nationalization reminds one of an amusing incident which occurred at the Coal Commission. The official witness of the Birmingham Chamber of Commerce gave evidence against nationalization, and put in as one of his reasons that the American

[1] The London *Evening News* recently conducted a long and vigorous campaign against the British telephone system, in which it alleged that the State killed the telephones. In the course of its argument it printed the following on September 24, 1919: "In Stockholm, where the telephone has been brought to a high pitch of perfection, blocks of workmen's tenements are as often supplied with a call-box as similar buildings in this country are supplied with a gas meter. The service in Sweden in towns with under a quarter of a million inhabitants used to cost £2 10s. (message rate) and only £4 10s. (unlimited)." It is clear that the *Evening News* is not aware that the Swedish telephone system, which it very properly praises, has, like the Swedish railways, been brought to its present pitch of perfection—perhaps the highest in the world—by national ownership.

The same critic thought to discredit the London telephone service by arranging with a large number of firms to take note, on a certain day, of telephone faults. The result was a disappointment; the majority of the reports were a tribute to the service. This the *Evening News* endeavoured to explain away by suggesting that the officials had heard of its little scheme and passed round the word to give special service on the day in question! A pretty illustration of the kind of justice meted out to public servants.

[2] It is amusing to observe that the American telephone service, which is so much praised here by those who desire to decry nationalization, is the subject of fierce criticism in the American Press. In the *Times* of February 13, 1920, its New York correspondent wrote:

"Only this week a disastrous fire occurred in the metropolis, in which a lady and two children were burned to death, owing to the fact, it is alleged, that nobody was able to give the alarm through the telephone, though several neighbours vainly tried for twenty minutes to connect with the fire brigade."

I observe, too, that in the March, 1920, issue of the *Bulletin* of the New York State Industrial Commission, "the inadequate and inefficient service which the public has been receiving in the last few months" is admitted and explained by the operators having to deal with too much traffic. It is difficult to explain the American inefficiency by war reasons, for, of course, America was for practical purposes untouched by the war, losing very few men and gaining enormously in productive power.

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Post Office did certain things which ours did not do. He had to be reminded that the American Post Office was also a nationalized institution, and that it was therefore a case of one national service improving upon another. A quite typical example, this, of the value of the arguments which are used against public ownership.

The statement has been widely circulated that the Post Office made a loss on the telephones, where the joint stock company made a profit. As a matter of fact, putting aside the abnormal influence of the war, the Post Office succeeded in making the telephones "pay," even while greatly increasing the remuneration and conditions of service of the staff which it took over from the National Telephone Company. In the last pre-war year (the twelve months ended March, 1914), the profits amounted to 4.29 per cent. upon the capital employed, while the difference in pay between the public and private services amounted to an additional 3 per cent.[1]

In 1919 there was a loss, after providing for interest and

[1] The following statement of the Post Office telephone commercial accounts of 1913-14 was supplied by the Post Office to the Coal Industry Commission:

	£	
Staff transferred from the National Telephone Company.		
Cost of improvements of pay and conditions of service	158,000	
Cost of improvement of pensions	243,500	
	£401,500	
Post Office Staff		
Amount included in account for pay and conditions of service in excess of those paid by the company	114,400	
Amount included in account for pensions, etc., in excess of those paid by the company ...	135,600	
	651,500	Dividend percentage on capital
Add		
Amount available for dividend shown in the accounts	930,944	= 4.29 per cent.
Total	1,582,444	= 7.29 per cent.
But if the whole telephone service had been in the hands of a company the royalty payable would have been	600,000	
Leaving available for dividend	982,444	= 4.53 per cent.

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sinking fund, because, in spite of the great growth of prices generally, the subscription was not increased; again a striking contrast with commercial profiteering.

All through the war the only additional charges made for the telephone were those recommended by the Committee on Retrenchment of 1915. They were:

(1). The unlimited rate was raised in London by £3, and in the provinces by £2 or 30s.

(2). The call office fees were raised by 1d.

(3). The trunk fees were raised by 33 per cent.

The ordinary subscription rates were not raised at all. It has now (1920) become obviously necessary to increase the charges, but they will remain actually low. It is a most remarkable and significant contrast with the general rise in prices. Moreover, the new rates will be hammered out by public inquiry, with all the cards on the table.

In view of these facts the weakness of the case against nationalized industry may be gauged, for, upon curiously imperfect information, the telephone service has been the main adverse illustration advanced by the opponents of public ownership of the coal industry. For that reason it has been dealt with here. It is only necessary to add that when the Post Office schemes of improvement become possible through the supply of material (which, unfortunately, the State is not making for itself, as it might have done, in national factories since the Armistice) the British national telephone system will rank with the national system of Sweden as a model of industrial efficiency.

§ 4: The March of Nationalization

Throughout the world, as I have indicated, the nationalization and municipalization of industries has proceeded in recent years at an ever accelerating pace. It is not within the scope of this volume to treat of all that has been done, but, generally, there are few civilized countries in which the

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principle of public ownership has not proceeded much further than in Britain.[1]

We, in common with individualistic France, had to pay very heavily in the war for the outstanding fact that in Germany national and municipal collectivism and co-operative effort generally had been applied to redeem a nation which was in exceeding poverty in quite recent times, to build industries; to create a splendid system of efficient transport by railway and canal; to cancel natural geographical disabilities; and to furnish splendid State and civic revenues. When the Franco-German war broke out the populations of France and Germany were of the same order of magnitude, that of France being 36,000,000 and that of Germany being 41,000,000. In 1914 the German population had increased to 67,000,000, while that of France was no more than 40,000,000. The extraordinary growth of German economic power in the interim was the result of practising a national economic policy. It will not do to attribute the difference to fiscal "Protection," for that was practised in both countries, and France was more Protectionist than Germany. Nor will it suffice to attribute this striking disparity to the transfer of Alsace-Lorraine. The truth is that the German economy was nurtured and cherished by co-operation, whereas that of France was resigned with an extraordinary completeness to "private enterprise." As to the effect upon State revenues, Germany derived her great power from the fact that her collectivism yielded not only health and wealth, but a magnificent contribution to municipal and State exchequers. Thus, in Prussia before the war nearly 50 per cent. of the expenditure of the State was furnished by the profits of the railways and other Socialistic undertakings.[2] As with the German States, so

[1] For an illuminating account of the progress of nationalization, see "The State in Business," by Mr. Emil Davies, which shows how, in various parts of the world, the State or city is the successful owner of land, houses, transport systems, forests, mines, food factories, libraries, banks, insurance offices, tobacco factories, light and power plants, warehouses, markets, abattoirs, baths, spas, hotels, theatres, etc., and in almost every case with marked success. See also the same author's "Case for Nationalization."

[2] The following is from the Blue Book, Cd. 4750: "To make any profitable comparison of direct taxation in England and Germany it is necessary to take into consideration in the case of the latter not merely the Imperial

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with the German cities, which were wisely allowed to become little republics instead of being domineered over by central authority, as local authorities are in this country. Cologne, for example, is the greatest trader in Cologne, with results which have considerably astonished British soldiers who have been quartered in that city. And, as it is hardly necessary to add, the German State and city Socialist revenues were obtained without cost to the community, because so great are the economies of public enterprise that they at once admit of lower charges to the public and of profit to the State or civic exchequer.

Nor is it true, as is so often said, that the German lost individuality in achievement by reason of his collectivism. Those who took the trouble to examine German institutions before the war and to compare them with our own could not fail to be struck with the fact that individuality was cherished, and not suppressed, by co-operation. For example, while we bred Bumble, Germany bred the Elberfeld system of poor relief.

Just before the war I saw at Cologne a wonderful exhibition devoted to the application of science and art to industry. Individuality ran riot in the exhibits. They ranged from the beautiful and serene to the ugly and repulsive, but they were all alike remarkable for originality of conception and the striking of new ideas in form and colour. I felt, and others who were with me felt, that we could not in England produce such a show. It would be a thousand pities if, as a result of the war, we grew to despise that which was admirable in German development. It would also be very unfortunate if we nourished the delusion that Germany was only successful in war industries. Germany was equally successful, to name a few examples out of many, in producing steel, toys, leather, glass, artificial silk, pianofortes, birds, chemicals and drugs, and some of these things have no connexion whatever with war or the prospect of war.

taxes, but also the taxes levied by the Federal States. It is also important to remember that a large portion of the State's expenditure—in Prussia as much as 47 per cent.—is covered by the profits of railways and industrial undertakings, the State being thus enabled, *pro tanto*, to dispense with taxation."

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It should also be observed that collective effort has been successful under every conceivable sort of Government. If it is imagined that nationalization can only succeed under the kind of government which obtained in Germany, then we may refer to Switzerland, or to Sweden, or to the Britains in the South Seas,[1] for striking illustrations of the success of national economic policy under democratic institutions.

In our own country we may take the example of a modern industry of rapid development—electricity. It is a proper subject of national and not of municipal effort, but as it happens we possess many examples of both municipal and private enterprise as applied to electric lighting and power. Before the Coal Industry Commission it was shown in evidence [2] that a comparison of the results of our municipal electrical enterprises with those run by private companies was entirely in favour of the former.

As to capital, the private companies had expended £79.3 per kilowatt, whereas the local authorities had spent only £52.6, a difference of 50.7 per cent. in favour of public control.

As to working expenditure, the average cost to the private companies throughout the kingdom was 1.7d. per unit, whereas the local authorities' price was 0.77d. per unit.

As to "officials," the private companies spent 0.223d. per unit, whereas the local authorities spent only 0.135d., which illustrates the fact that private officialdom is much more expensive than public officialdom.

As to depreciation, the companies set apart 1.78 per cent., whereas the local authorities provided 3.28 per cent.

[1] The success of the national railways and other public works in Australasia has been indisputable. Since 1915 a Socialist Government in Queensland has applied nationalization to meat shops, saw mills, coal mines, ranches, railway refreshment rooms, fish supplies, etc., and had not only made at June, 1918, the substantial net profit of about £170,000, but, what is far more important, had favourably affected prices and labour conditions by doing so. The Queensland railways are national, like those of all the other States of Australia. In New South Wales a Government has just been returned to power pledged to carry out an advanced programme of Nationalization.

[2] Coal Industry Commission Evidence, Vol. II, page 1,106.

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As to interest and dividends, the companies required 5.51 per cent. and the local authorities 3 per cent.

Finally, as to the prices charged, the companies' average price per electrical unit was 2.392d. per unit, whereas the local authorities' price averaged 1.492d. per unit, being 60.3 per cent. in favour of public control.

It is not difficult to explain these differences; the explanation is the case for Nationalization. Electrical companies are loaded with all sorts of wasteful capital charges, promotion moneys, and so forth. Often part of the capital is put up by electrical manufacturers on the understanding that they supply their own goods to the undertaking. In one such case I was told of a lamentably defective switchboard which had to be scrapped and replaced by something better; but when the switchboard was scrapped the corresponding capital was not scrapped; interest has still to be found on it. And in the general economy of electrical undertakings public authorities have the overwhelming advantage that their servants work for the public interest and not to make the quickest possible gain for shareholders.

How public control of electricity works to the public advantage may be illustrated by the records of the Poplar municipal undertaking. In 1903-4 the proportion of energy sold by the municipality for power purposes was 37 per cent., which was sold at an average price of 1.716d. per unit. The management realized that this charge, although a shade lower than other undertakings in London, was prohibitive for large consumers, and they accordingly reduced the maximum price by 25 per cent., and instituted a scale of charges according to the load factor of the consumer. This enlightened policy had such a favourable effect upon the load factor that the proportion of energy sold for power purposes rose to 83.5 per cent., which was sold at an average price of 0.64d. per unit. This was the result of seeking not profit but the public good.

We need not wonder if the public servant who did this excellent work in Poplar is an enthusiastic advocate of the nationalization of coal mines and power generally throughout the United Kingdom. It is only one case of

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thousands that might be given to illustrate the essential point that the manager of a publicly owned undertaking is able to make proper use of his brains because he can exercise them without the restraint of dummy directors demanding dividends, and with the sole object of improving the undertaking entrusted to his charge. We have to rid the individual of unworthy work if we are to set free the better parts of him, and only collectivism can do that.

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CHAPTER X

THE BUSINESS MAN AND THE OFFICIAL

§ 1 : Adam Smith on Official Negligence and Profusion

ADAM SMITH, in his famous "Wealth of Nations," which was written in 1776, had a good deal to say about officials, and he expressed his opinion of them in sufficiently strong terms. His account of the methods of the joint stock company is worth reproduction in these days, when joint stock company enterprise is in charge of nearly the whole of our industrial undertakings :—

"The trade of a joint stock company is always managed by a court of directors. This court, indeed, is frequently subject, in many respects, to the control of a general court of proprietors. But the greater part of these proprietors seldom pretend to understand anything of the business of the company; and when the spirit of faction happens not to prevail among them, give themselves no trouble about it, but receive contentedly such half-yearly or yearly dividend as the directors think proper to make to them. . . . The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. . . . Negligence and profusion, therefore, must always prevail more or less in the management of the affairs of such a company."

From which he readily passed to the general verdict that "the only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation."

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Thus the managers of company undertakings appeared to Adam Smith in the light of officials who, charged with the care of the property of a body of shareholders, would almost certainly waste their substance and be negligent of their interests. Most unkindest cut of all, he was convinced that companies could not succeed in the conduct of more than routine businesses unless granted monopoly privileges.

We shall do well to examine these words carefully, and to ask ourselves how far the judgment of Adam Smith has been justified by five generations of practical development of the joint stock principle. Have the officials of public companies wasted capital, and if so, to what extent? Have they been proved to lack the enterprise, initiative and ability attributed to individuals trading for gain on their own account?

§ 2: Growth of Joint Stock Enterprise

Whatever its inherent disabilities, the joint stock system has greatly grown. According to the latest available information, that for the fiscal year 1914-15 (the twelve months ended March, 1915), the profits made in business in that year were as follows:—

Profits of Persons, Firms and Public Companies in 1914-15.

	Number	*Profits* £
Persons (excluding employees)	510,864	131,000,000
Firms ,, ...	60,048	93,000,000
Persons and firms together		224,000,000
Public companies	53,845	389,000,000
Total (income of all employees excluded)		£613,000,000

We see that, despite Adam Smith's verdict, public companies have so far won the day as against individual traders. The private firms and persons trading just before the war were many in number, but their total profits amounted to £224,000,000, against the £389,000,000 of the public companies. Nearly two-thirds of the whole body of trading profit

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accrued to the public companies. But this does not sufficiently express the preponderance of joint stock enterprise in industrial operations, for under the headings "Persons" and "Firms" there are many professional men, stockbrokers, merchants, agents, retailers, and others not carrying on industrial work. In the industrial field proper public companies have now an overwhelming supremacy. It follows, therefore, that part of Adam Smith's verdict goes by the board, for industrial "success," in the sense in which that term was interpreted by Adam Smith, has been undoubtedly recorded by a large number of joint stock concerns.

On the other hand, "negligence and profusion" have very plainly appeared in the history of joint stock enterprise. If we examine the record of the companies registered under the Companies Act, passed in 1862, fifty-eight years ago, we find that 163,729 companies were registered down to the end of 1917, with a total nominal share capital of £8,116,000,000. According to the Board of Trade record,[1] there remained in existence on April 30, 1918, only 66,456 companies, with a paid-up capital of no more than £2,730,000,000. Thus between 1862 and 1917, 97,273 joint stock companies disappeared, and of the 66,456 remaining many, it is clear from the income tax returns, are unprofitable. As to the joint stock capital which disappeared in the period, this amounted to a figure which cannot be precisely estimated, but must, from the facts stated, amount to thousands of millions of pounds. In too many cases the subscriptions of confiding, if hungry, investors have been dissipated by company promoters and by the public company officials of whom Adam Smith entertained so poor an opinion. Our sorrow for the disappointed investors is, however, mitigated by the not unimportant consideration that the motives which actuated them in searching for dividends were precisely those which moved to enterprising action the company promoters and company directors who were negligent and profuse with other people's money.

In this connexion, as we have already seen (page 157), the post-war company promotions have not been of a kind

[1] Companies, Twenty-Seventh General Annual Report, 1918.

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calculated to apply British resources to the proper development of scientific industry; they have been sufficiently characterized in the weighty observations of the Chancellor of the Exchequer.

§ 3: The Company Officials' Success

Nevertheless, the joint stock method undoubtedly secured a larger, if inadequate, exploitation of the inventors' ideas than would have occurred without it. Adam Smith wrote only twenty-six years after iron had been first smelted with coal, and he could have no conception of the scientific developments that were to follow.[1] The discoveries and inventions of the scientists made it necessary to employ larger masses of capital than could, as a rule, be furnished by individuals or small partnerships; moreover, it is unreasonable to expect an individual to risk the whole, or the greater part, of his means in testing in a commercial market the value of a new invention. Therefore, within the limits of commercialism, joint stock enterprise assisted society to the use of inventions. The Government could have played the part of exploiter of inventions if it had cared to do so. But, unfortunately, it took up the attitude of *laissez faire* even in regard to such an invention as the railway, which was nationally exploited in so many other countries.

We may, perhaps, fairly sum up the method of joint stock exploitation of ideas by saying that in default of public action it was the only possible alternative, if an exceedingly wasteful one. We had either to submit to the rule of joint stock officials or to go without the exploitation of ideas.

It is also true that in any form of government, whether by private or public powers, men of pronounced individuality and worth come to the top in a certain proportion of cases. A despotic government is not an admirable ideal, but occa-

[1] A fact which should be a sufficient warning to any political writer who is inclined to dogmatize as to the future of human institutions. We may be not more than twenty-six years removed from scientific discoveries which would enable mankind to change entirely the conditions of industry; but see Chapter XIV.

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sionally despotic government throws up a most admirable and benevolent despot who, within the limits of his power, works good for his country. Thus also with joint stock enterprises. It would be unfair not to recognize that here and there the joint stock principle gives opportunity to a man of parts, who wields the power of the company with a certain pride of achievement and public spirit, and who is in a marked degree superior to the average shareholder whose interests are entrusted to him.

On the other hand, joint stock companies are not rarely worked with nepotism and jobbery.

The limited liability system has also, in some cases, promoted the working of industry on a large scale. Individuals working businesses are not so easily combined with each other as are joint stock companies. Amalgamations in the company field have, therefore, promoted the growth of big businesses. When, by the capital amalgamation of all or most of the joint stock enterprises in an industry, there is formed a complete or quasi monopoly, we have the demonstration of officials managing what is, for practical purposes, an industrial Department of State, the capital of which is owned, not by the State, but by some tens of thousands of shareholders scattered up and down the country, many of whom have never seen the operations which give them their dividends.

§ 4: Under Which Officials?

Thus the choice is no longer as to whether the nation's industries are to be conducted by individual business men or by "officials." For good or ill, the choice has been already made. The officials have arrived and cannot be displaced. The conditions of privately owned industry are such that the risks of capital, as we have seen, must be pooled, and only by such pooling can industry continue as a matter of private ownership. The private owners elect officials, or think that they do, and those officials govern industry, and govern also the working lives of the units of industry. The nation's choice is thus between:

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(1) Consenting to be governed by officials responsible not to the nation but to scattered units of the nation, and

(2) Choosing officials, selected by some democratic process, responsible to the nation or to some local authority or industrial authority erected or sanctioned by the nation.

If we now read again the words of Adam Smith which are quoted at the beginning of this chapter, we realize that what is currently said in opposition to Nationalization is precisely what the author of the "Wealth of Nations" said against joint stock companies. How often we hear it declared that the State can only successfully conduct routine businesses by virtue of monopoly powers. How frequently it is declared that if industry were committed to the charge of public officials "negligence and profusion" would prevail.

Most clearly it is true that in any collectivist enterprise, whether that of a joint stock company, or of a municipality, or of the State, the responsible managers are not dealing with what is entirely their own property. Who can allege, however, that there exists in the national or municipal enterprises, either of our own country, or of the States of Germany, or of the democratic Commonwealths of the British Empire, the degree of wastefulness which has obtained in applying the limited liability principle to the development of work? The fact is that the errors, the negligences, and the grave losses of company officials rarely excite public criticism. They waste national resources, but the critics quite falsely treat them as the concern only of their shareholders. It is forgotten that if a company promoter gets together a mass of capital, subscribed by fifty thousand people, and after pocketing a large proportion of it as profit, and squandering much more of it in promotion expenses and advertising, hands over the balance to be dealt with by irresponsible directors, each of whom has his energies engaged in perhaps fifteen to twenty other undertakings, with the result that the concern comes to ruin, that that is a loss to the nation just as real as if the State had raised the same amount of money by taxation or by loan and had squandered it in similar fashion. Now and then, it is true, some private financial scandal of gigantic dimensions attracts public attention, but for the most part such injury to the public welfare goes unnoticed

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and almost unrecorded. On the other hand, a public undertaking has properly to bear the brunt of keen public criticism. The State itself, or the municipality itself, as we have seen (p. 60), publishes the criticisms of its own official, appointed for the special purpose of detecting irregularities of expenditure. The public and the Press are thus aided in the divination of waste. Even in war, to say nothing of peace, this process of State self-criticism proceeds, with the greatest advantage to the public. How different the case of the limited liability company. As Adam Smith so well put it: "The greater part of the proprietors seldom pretend to understand anything of the business of the company, and . . . give themselves no trouble about it, but receive contentedly such half-yearly or yearly dividend as the directors think proper to make to them." The shareholders of the concern, or the nation whose economic interests are also resigned to the company officials, have no Accountant-General to report to them the extravagances and mistakes which occur in the management of the property. Let the record of that particularly scandalous waste of the chief national asset in a Staffordshire coal field, which appears elsewhere in these pages, be read in this connexion; the exaggerated nature of this specific instance has brought it to light,[1] but it is typical of tens of thousands of cases of which the public never hear, connected with every sort and kind of business and industry. Thus the alternative between the company official and the public official may be stated in another way—as a choice between an irresponsible manager uncurbed by criticism and a responsible manager subjected to free criticism.

We shall have occasion to return to the point hereafter, but it may be well to say at once that in speaking of public officials I am not neglectful of Industrial Democracy; the observations made have relevance to any form of co-operative or collective enterprise, whether it be the mere co-operation of shareholders combining for individual gain, or State collectivism, or the co-operation of actual workers for productive purposes; every sort and kind of co-operative undertaking must, by some process or other, arrive at responsible

[1] Not very much light; I could find only one London newspaper with a report of it—the *Daily Herald*.

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managers entrusted with duties and responsibilities, and such persons are "officials," by whatever other name they are called.

§ 5: Of the Competence of Public and Private Officials

Enough has been written to exhibit the hollowness of what is so often said by way of contrasting "business men" with officials. Let us now proceed to consider whether, in practice, a national or municipal undertaking is less likely than a private undertaking to obtain the services of first-class men. An examination of State and municipal undertakings throughout the world shows that the standard of competence of their managers is exceedingly high, and that in all countries they are held in great esteem. Whether it be the professional permanent town manager or burgermeister of a German city, or the head of an Australian State railway, or the chief of a British municipal electrical undertaking, or the organizer of such a colossal State enterprise as that carried out by America at Panama, the public servant invariably takes a pride in the efficiency and success of his work, which, in the nature of the case, cannot be felt by the head of a privately owned undertaking, however great it may be in the scale of such undertakings. It is sometimes said that the nature of the institution counts for less in this matter of efficiency than the personal qualities and training of those who officer the institution.[1] It is quite true that the individual and his training counts, and will always count, in any form of society, and that the talented individual often rises superior

[1] Thus Mr. Tawney, in his suggestive book, "The Sickness of an Acquisitive Society," says (p. 60):

"So those who desire to maintain the system under which industry is carried on, not as a profession serving the public, but for the advantage of shareholders, attack nationalization on the ground that State management is necessarily inefficient, and tremble with apprehension whenever they post a letter in a letter-box; and those who desire to change it reply that State services are efficient and praise God whenever they use a telephone; as though either private or public administration had certain peculiar and unalterable characteristics, instead of depending for its quality, like an army or railway company or school, and all other undertakings, public and private alike, not on whether those who conduct it are private officials or State officials, but on whether they are properly trained for their work and can command the goodwill and confidence of their subordinates."

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to circumstance, but there is good ground for believing that the circumstances of public duty and public responsibility are such as to call out of individuals all that is best in them, whereas the many-sided thing we call a man will react unfavourably to the conditions of private ownership. I say this as one who has lost no opportunity of observing public and private work in actual operation. I have again and again met publicly employed architects, engineers and managers who entertain such a pride in their work as it has rarely been my lot to encounter in the managers of privately owned undertakings. Indeed, in how many cases the private undertaking is a thing in which no man could take pride; a factory where one is warned to be careful in passing through the narrow spaces between the machines and the walls; a mill where that cheap and useful thing called light is largely excluded; a cramped shipyard where the men are endangered by lack of space; a mine where the winding gear is ancient and creaky; a row of houses which mock every canon of architecture. A nation is compounded of all sorts and conditions of men and women, some of whom are gifted and some of whom are not.[1] It is a profound error to suppose that any kind of institution, whether national or sectional, publicly owned or privately owned, can be wholly composed of clever or very clever people. The nation as a whole has got to live, the nation as a whole has got to work, the nation as a whole has got to maintain both the clever and the stupid. All of these have got to find their place somewhere in the national economy. The true question for settlement in this connexion is, What system will make the best of all the components of the nation, whatever their natural ability? The answer which is here suggested to that question is that nothing short of the inculcation of a public sense of duty can make the best of a man as a social organism, and that when a man is entrusted with responsibility he rarely fails to rise to it within the limits of his capacity.

[1] Thus we are sometimes told that a private concern can dismiss incompetents, whereas a public one is compelled to retain them. Then what, it may be asked, becomes of the dismissed incompetents? Clearly the nation has to keep them, for they are not killed off. As clever people are not very common, how are private concerns staffed if they employ none but the clever?

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We sometimes hear uttered the principle, or denial of principle, that, to deal with things as they are, the State could not obtain the services in peace of the men who served it ill or well in the war. It is, perhaps, hardly worth while to deal with this assertion, but it is not infrequently made. If there were really any truth in it, then indeed there is no hope for society under any form of organization that can be devised or under any lack of organization that can be imagined. If it is contended that men of quality and distinction, who sell their services to a body of shareholders for a certain remuneration, will not accept service if it is offered them at the hands of the community, then society is not worth working for, and it is grotesque to waste time upon considering its affairs. Happily there is nothing in the record of men of any age, ancient or modern, to show that there is any reason to doubt that men will serve the State faithfully. Indeed, the darkest pages of commercialism itself have been brightened by the records of business men whose hands were never subdued to the colour they worked in. Robert Owen was a "business man," if an exceptional one.

§ 6: The Officers of National War Organization

The great national organization accomplished in the war was the work of a combination of Civil Servants and business men of high standing; the latter were mostly drawn from successful examples of the conduct of industry by joint stock company officials. In not a few cases men of quite another sort were called in aid—scientists who, as professors in public institutions, had never taken part in administration as either public or private officials. The fine material of the Civil Service was thus diluted by temporary Civil Servants, both in matters of management and of routine. The expansion had to be made with great rapidity, and in the circumstances the results can only be regarded as extraordinarily good. For the most part the permanent and the temporary Civil Servants settled down to work side by side, and grew to

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respect each other. In some instances the business men brought in gave a poor account of themselves, but they all did their best, and it can be said with truth that the experiment proved how men of commercial outlook found it possible to assimilate public spirit and to act from a national point of view. It is impossible to pay too high a tribute to some of the industrial captains who played a part in the various ministries of production and supply. In not a few cases they had to carry out, or even to devise, plans which struck at the normal conditions of the trades in which they were engaged. Thus, at the Ministry of Shipping, leading shipowners carried out in detail the plans by which their own lines were broken up, for the good of the State, with no guarantee that their normal condition would ever be restored.

Of course, there were failures, and some conspicuous ones, amongst the business men or company officials who were called in. This should not surprise us. For one thing the average business man finds it very difficult to get out of the groove in which he has been accustomed to work. There is really nothing, for example, in the wholesale or retail selling of food, or in trafficking in ore, or in manufacturing that crude chemical compound which we call soap, to fit a man to help his country in time of war; on the contrary, when war comes its exigencies are only too likely to make it necessary to do things which are opposed to trade interest, which is so far from national interest. Again, as is sometimes forgotten, success in business is, as often as not, achieved through sheer good luck. Commerce is a thing of many unnecessary complications, and it is obvious that in its rough and tumble a man here and there, not necessarily of any great parts, must from time to time emerge in a fortunate position.[1] This is the explanation of how it is that some men of fortune seem and are so extraordinarily incompetent in affairs. Taken out of their little groove they are useless. Not a few of

[1] Mrs. Asquith, in her "Autobiography," is an unsparing critic of the business man. Of her father she writes: "Although he was a business man, he had a wide understanding and considerable elasticity." She adds: "Intellectual men seldom make fortunes, and business man are seldom intellectual." Of money-making she writes: "It has been and will remain a puzzle over which intellectual men are perpetually if not permanently groping: 'How comes it that Mr. Smith or Brown made such a vast fortune?'"

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the rich business men who seek amusement or dignity in their later days by going to the House of Commons exhibit themselves as men of little judgment or capacity. They distinguish themselves neither in debate nor in Committee; neither in suggestion nor in counsel. During the war Government Departments again and again called together groups of leading business men in different trades; very little came of many of these meetings. Sometimes the suggestions made were merely ludicrous, as, for example, that of a leading shipowner who insisted that the only way to save the nation from the submarines was to give the merchant skippers freedom to steer any course they liked without Admiralty advice or control; perhaps it need hardly be added that this gentleman was a fierce critic of the Ministry of Shipping.

Mr. Asquith once made a diverting reference to the "business man" which may be recalled in this connexion. It was at a time when there was talk of the alleged advantages of a "business man Government." Mr. Asquith's comment on this suggestion was that he had been for a great part of his life engaged in getting business men out of their messes.

Of the Civil Servants who had to undertake new and strange responsibilities one cannot say too much by way of praise. The business men who worked with them would be the first to endorse what I have said, and in not a few cases were so struck with the great ability which they encountered in official quarters that they made handsome offers to them to leave the public service and to become officials of privately owned undertakings. In a few cases these offers were accepted; in more they were rejected.

The case of the Ministry of Shipping may be adduced to show how Civil Servants and business men worked together to great ends. The Shipping Controller himself was an eminent shipowner who won the confidence of all his subordinates. The Shipping Control Committee, which existed before the Ministry of Shipping was established, and continued after its formation as a sort of Shipping Controller's Cabinet, consisted of three other well-known shipowners, and as *ex-officio* members, two Civil Servants, in the persons of the Secretary of the Ministry and of the Director of Transports, and the Parliamentary Secretary.

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The chief administrative departments of the Ministry were thus divided between Civil Servants and business men: The Director of Transports, a Civil Servant; the Director of Military Transport, a Civil Servant; the Director of Naval Transport, a Civil Servant; the Director of Requisitioning, a Civil Servant; the Director of the Liner Requisitioning, a shipowner; the Director of the Commercial Branch, a shipowner; the head of the Ship Management Branch, a shipowner; the secretary and organizer of the Allied Maritime Transport Council, a Civil Servant; the head of the Convoy Branch, in liaison with the Admiralty, a shipbroker. There were other officers of importance, but these will suffice to illustrate the nature of the combination of which I have spoken. It was an administration which had almost daily to meet new and unprecedented situations, and to devise original methods of meeting them.

Thus, also, with the Ministry of Food. The extraordinary success of Rationing, which seemed so formidable an operation before it was attempted, was due to the initiative and high capacity of a Civil Servant. Not a little of the success which attended the securing of supplies for our fighting forces and our civilian population we owed to Civil Servants, and again, as in the case of the Ministry of Shipping, the business men played a useful part. When it became necessary to control trades or to devise machinery which wholly or partly superseded trade operations, the various Ministries linked themselves up with Advisory Committees or associations of business men. It was unfortunate that, in not a few cases, business men who took no part in the national administration were found endeavouring to thwart, or criticizing unjustly, the labours of those who, inside Ministries, were organizing supplies. The contrasts which obtained were not so much due to difference in character as to difference in point of view.

Lord Rhondda, who was a business man of exceptional qualifications, had the greatest admiration for the Civil Servants of his Department and deplored the scarcity of them. Business men he could put his hands on in plenty, but, as has been indicated, they have their limitations, and he wanted more Civil Servants. He would have liked to borrow some

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of those who served us so well at the Ministry of Shipping, but we could not spare them.

Engaged as a temporary Civil Servant, sometimes for pay and sometimes as a volunteer, the business man came in many cases to see things from a national point of view, as a Civil Servant habitually sees them. Engaged in the operations of private trade, the same sort of man, oblivious to every consideration save his own trade interest, frequently assailed the man who was doing his duty. As for the "business man" in Parliament, the records of the Parliamentary debates will show what kind of war work some men thought it necessary to accomplish. The selected business men who worked in Government Departments were well above the average of their kind, and it is unfortunate that they had so often to deplore the attitude of their fellows outside.[1]

What I have said elsewhere as to the conflict of public and private interest in the matter of the blockade should also have attention in this connexion. No trade interest can be depended upon to serve the nation, either in time of peace or in time of war. When an individual member of a trade serves the public interest, either in peace or in war, he too often becomes a mark for the abuse of other members of his trade.

§ 7: Overlapping of National Departments

A minor point which we hear of is the overlapping which sometimes occurs as between two or more Departments of State. It is right and proper that every case of overlapping should be severely criticized and brought to an end. What is surprising, however, is that it is not more generally

[1] The spirit which animated some of these individuals may be illustrated by an incident which occurred at the Ministry of Shipping. One of the "business men" who visited the Department, not for the good of the State, but in the hope of increasing his swollen gains, wrote a (carefully anonymous) letter to the *Daily Mail* to complain that he saw messenger girls *knitting in the public time*. As a matter of fact, the girls had a competition amongst themselves in knitting socks in their spare moments for our soldiers at the front, and what they did was entirely creditable to them. The young people complained of—girls who had just left school—were a happy contrast to their spiteful and anonymous accuser. Always blithe and willing, it was a pleasure to see them about their work.

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realized that overlapping is the commonplace of "business" and rare in Government Departments. When two Departments of State simultaneously go into the market to buy a certain article they do that which is absurdly wrong. But consider ordinary business. There are fifteen hundred different colliery companies, and each of them overlaps with the others in buying materials, and many of them overlap each other in selling, to say nothing of the technical overlapping which arises and which is considered in the following chapter.

Take, again, the shipping companies. There are about 200 big shipping companies and many little ones. All these overlap in buying materials and in ordering ships, although it is true that many of them combine in rings to fix freights. So it is, up and down the length and breadth of British industry and commerce. So extensive and complicated are the overlappings that if one were to attempt, by diagrammatic representation, with the aid of lines and colours, to picture the resulting complex, the diagram, although drawn on a sheet as big as the floor of Westminster Hall, would be an indecipherable muddle of intersecting lines and superimposed colours.

In short, the accusation of overlapping against Government Departments is sometimes, but rarely, true. Of commercialism it is always true. It is so even with businesses controlled as to production by great trusts, e.g. the sewing-cotton industry, for such combinations have to sell their wares through overlapping dealers. In this, as in other matters, Nationalization is commonly charged with a fault from which it is inherently free, and the charge is made by the upholders of a system of which it is inherently true.

§ 8: Of the Number of Officials

We saw in considering the Ministry of Munitions that its gigantic operations were conducted by no more than 65,142 officials. We may now consider the aggregate of the officials employed in the war. The official return gives

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the following particulars, which cover all the new and old Departments of State, except the Post Office:

Staffs of Government Departments, except the Post Office, at the date of the Armistice, November 11, 1918

Munitions	65,142
Labour	8,484
Inland Revenue	10,958
Admiralty	16,882
Pensions	8,561
War Office	18,539
Customs	10,224
Board of Trade	7,036
Food	9,181
Agriculture	3,451
Air	4,646
Other Departments	60,091
	223,195

The representation has been made in some quarters that the number of Civil Servants rose to over 400,000. This figure was arrived at by adding in all the Post Office servants. It is perfectly true that postmen, sorters, etc., are officials in one sense, but it will be seen that they were not properly included in the list of administrative officials, which is what we are concerned with here; it would be as reasonable to term the men of the Royal Navy Admiralty officials.

We may usefully compare this figure of 223,195 with the fact that at the Census of 1911 the number of persons engaged in commercial and legal occupations amounted to no fewer than 1,018,129.[1]

Or we may note that at the same Census, in the whole of the United Kingdom there were only 356,000 officials employed by the central government, and by all the local government authorities, including municipal, poor law, parish, and other local or county officers, and the police, and including all the central government and local govern-

[1] This is exclusive of armies of dealers included under the various trade headings but not distinguished as such; the aggregate of middlemen, large and small, amounts to several millions.

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ment inspectors, whose services have to be employed to secure the observance of labour law or laws respecting adulteration or the falsification of weights and measures.

Here again, then, the case is precisely as with overlapping. The complexities of commerce demand the services of a great army of officials. For example, you cannot have fifteen hundred colliery companies without fifteen hundred separate boards of directors, fifteen hundred sets of secretaries and secretaries' clerks and typists, and fifteen hundred separate operations of audit. Similarly, you cannot have hundreds of shipping companies without filling streets in every port with variegated shipping offices employing large numbers of clerks.

It is perfectly true that every redundant public official is a waster who consumes the nation's substance without producing; it is equally true that every redundant private official is a waster; the unfortunate thing is that the number of private officials is so much greater than the number of public ones.[1]

Apparently there are not a few critics of nationalization who never stop to think of their cruel injustice towards public servants. No one, I think, who has even a passing acquaintance with Government offices during the war can fail to feel a deep debt of gratitude to those who carried on with difficult work without advertisement. It is not well for the nation that such work should be rewarded by epithets of abuse.[2]

The fact that the nation maintains, through the commercial system, a great army of private officials carrying

[1] In a recent case heard before Mr. Justice Darling it was shown that a Midland bookmaker had palatial offices, a private telephone system, a considerable staff, and over a hundred typists. The judge observed that the concern appeared to have more clerks than the British Government employed at the Peace Conference at Versailles.

[2] The impression has been widely circulated that "hundreds of millions" are paid to civil servants. This was ludicrously illustrated at a recent banquet of the London Chamber of Commerce (May 4, 1920). The incident is also typical of the curious ignorance of public affairs which characterizes many business men. Sir Robert Horne, rising to respond to the toast of "His Majesty's Ministers," said: "People apparently did not realize what the Civil Service Estimates really were. It was a great mistake to suppose that £557,000,000 were being spent on a great army of civil servants." Immediately there were shouts of "*They are*" from the City magnates, and Sir Robert Horne had to go on to explain to them that, as a matter of fact, salaries accounted for only £16,000,000.

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out quite useless and redundant tasks need not cause us to abuse those who have the misfortune to be doing work of no value to the community. It is their misfortune and not their fault that they are so occupied, and they are only doing what their hands find to do in a society where a man must needs get his living how he can, and not how he would desire. Nevertheless, the great army of wasters, which is unfortunately growing, is one of the most serious problems of our society. When it is dealt with through the nationalization of industry, the thing must be done with due regard to the existing servants of trade; it can be done with fairness and consideration, and yet with great economic gain to the community at large.

The number of hotels and other offices occupied by the Government for the purposes of the war also excited some criticism. The fact of the matter is that if all the State offices, permanent and temporary, had been ranged in two straight lines, they would have formed one fairly long street. *A much longer street would be formed by putting together the offices of a single commercial business, that of insurance —a business which would be obsolete in a properly organized society.* This illustration may help some critics of nationalization to that useful gift, a sense of proportion.

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CHAPTER XI

"EXTRAVAGANT AND WASTEFUL"

§ 1: The Coal Experts Denounce Waste

"IN my opinion," Sir Richard Redmayne told the Coal Industry Commission,[1] "the present system of individual ownership of collieries is extravagant and wasteful." That was the utterance, on a most responsible occasion, of an expert with such a knowledge of British coal mines as few men possess. For eleven years he had been the Chief Inspector of Mines under the Home Office. For some twenty years previously he had been engaged in the actual getting of coal, as a mine apprentice, as an under manager, and finally as managing director of the Stafford Coal and Iron Company, which he converted from a disorganized and losing concern into a flourishing undertaking. As mining engineer, civil engineer, geologist, surveyor and business man he knew every phase of the subject upon which he gave evidence.[2]

In the nature of the case it was difficult to obtain independent expert evidence in such an inquiry, but the Commissioners had the advantage of hearing another independent man of unusual expert qualifications in the person of Mr. George Knox, Principal and Professor of Mining of the South Wales and Monmouthshire School of Mines, who has held that position since the foundation of the school in 1913, and who was for ten years previously chief of the Mining and Geological Department of the Wigan Mining College. This engineer and geologist, who is also a certifi-

[1] Coal Industry Commission, Minutes of Evidence, Vol. I, page 210.

[2] It should be added that he had served upon the Coal Mining Organization Committee (as chairman); the Coal Exports Committee; the Coke Committee (as chairman); the Coal and Coke Supply Committee; and the Coal Conservation Committee.

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cated colliery manager, testified [1] as to "the present excessive waste of valuable mineral products."

These are serious verdicts for the nation to consider, for to what do they refer? The matter under inquiry was coal, and coal is the basis of our industries. It was the large-scale working of coal, made possible by the invention of the steam-engine, which changed Britain from a poor and backward agricultural State with no apparent prospects, which imported manufactures and exported raw materials, into a comparatively wealthy country.

Deprived of its coal, or having wasted its coal, Britain would rapidly decline in the scale of nations and lose two-thirds of her population. Coal is not only the greatest practical source of power yet known to science, but, as was pointed out by Jevons, it acts as a magnet to raw materials, because its bulk and weight make it most economically used at its place of production. Hence Britain, a small island with good ports, is an ideal workshop, since materials can be readily brought to its coal-power. But the potency of coal in the national economy goes further; it is also, as we have seen, the source of our shipping greatness, since it furnishes bulky outward cargoes to balance our bulky imports of foods and materials, thus enabling our ships to earn money both inwards and outwards.[2] Thus production, ample supplies of cheap materials and shipping are alike seen to be based upon our coal mines.

§ 2: Parallel Waste in Britain and America

It is the life-blood of British industry which has been, and is being, wasted. Lest it be thought that blame attaches rather to individuals than to a system, let it be pointed out at once that the waste of British coal, great as it is, is not so great as that which obtains in the greatest coal country of the world, the United States of America, which also resigns its greatest national asset to private exploitation.

[1] Coal Industry Commission Evidence, Vol. II., page 1110.
[2] I speak here of the normal position, as it obtained before the war began.

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The latest verdict as to the lifetime of American coal is that, although the American coal deposits are at least ten times as valuable as our own, the American anthracite will be, for practical purposes, exhausted within fifty years, and the bituminous deposits within one hundred years, while the magnificent American mineral oil supplies, so intimately connected with the coal measures, will be exhausted within twenty-five years. These estimates are based upon the growth of consumption and the continuance of existing waste. The prodigality of that waste is almost incredible. An American consulting engineer of note, Mr. W. N. Polakov, who was appointed by the United States Government as power expert to the American Emergency Fleet Corporation of the United States Shipping Board, recently prepared a report [1] on the United States coal industry, in which he denounced its conduct from every point of view. He quotes the United States Department of the Interior as responsible for the statement that nearly 50 per cent. of the American coal mined is wasted under the present form of management. The individual "colliery operator," as they term him in America, working under the approved system of seeking individual gain, naturally, and from the individual point of view properly and faithfully, exploits the rich veins of high-grade coal, creams them, abandons the partly worked mines, and neglects inferior deposits.

It has been authoritatively estimated that since 1844 7,541,000,000 tons of American coal have been wasted. This is not fully described as American waste; it is world waste, for which the world as a whole, sooner or later, has to pay.

In Britain the same tale has to be told. The same incentives to work, the same spurs to enterprise, led to the imperfect working of rich areas and to the abandonment of enormous quantities of our precious and irreplaceable asset. "The haste," says Professor W. W. Watts, F.R.S.,[2] "with which coal in this country was taken out in the early days of coal mining, the rush to get that which was easiest and cheapest, the imperfection of the early machinery and

[1] Published in the New York *Dial* of November 1, 1919.
[2] Presidential address to the anniversary meeting of the Geological Society of London, February 16, 1912.

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methods of coal-getting, all have combined to render many of the older areas practically inaccessible, although in many cases, for the reasons just stated, very considerable amounts of coal, recoverable by modern methods, have been left in them."

And again says this geologist: "In the past it has frequently been the practice to neglect the poorer seams in order to get the better ones more expeditiously, although by this practice the poorer seams are in many cases irretrievably lost."

Thus the British coalowners, after opening up the nation's coal, buried much of it for ever, just as they are doing in America.

§ 3: The Limitation of the Vend

Nor was the leaving of coal in the ground the only wrong inflicted upon the nation in the years gone by. For three-quarters of a century a combination of British colliery proprietors, practising what was called the "limitation of the vend," deliberately restricted coal output, prevented the proper expansion of the nation's industry, and sold coal abroad for lower prices than they sold it at home. The limitation of the vend was vigorously denounced by Porter in his "Progress of the Nation." [1] He shows how this policy of cornering, which began in 1771 and which did not cease until 1845, amounted to a system by which "every person using sea-borne coal in Great Britain was exorbitantly taxed for the benefit of rival manufacturers in other countries." There was a systematic combination among the owners of collieries having their outlets by the Tyne, Wear and Tees, by which the quantity of coal produced and sold was strictly limited in order to maintain a high price for coal. Each colliery had its output delimited. "By this system the price was kept up; and as regards the colliery owners, they thought it more for their advantage to sell 25,000 chaldrons at 30s. per chaldron than to sell 100,000 chaldrons at the price which a free competition would have

[1] Edition of 1847, pages 283-286.

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brought." Fortunately, the manufacturers who were near inland coal districts escaped the tyranny of this combination, but it most seriously affected the progress of manufacturers in London and elsewhere, and it ground the faces of the poor. And even while this combine was selling coal in London at 30s. per ton, it sold the fuel "in the distant market of St. Petersburg for 15s. to 16s., or little more than one-half the London price." A special injury was inflicted on the nation and a special advantage conferred upon foreign manufacturers by the policy of the combine in selling small coal for foreign shipment at 3s. per ton while the limitation of the vend denied it to British manufacturers. "Thus," says Porter, "the manufacturers of Denmark, Germany, Russia, etc., obtained the fuel they required, and without which they could not carry on their operations, at a price not only below that paid by English manufacturers, but for much less than the cost at which it was raised." The combine would not sell the small fuel at home because it was making its big haul out of the large coal at the trust price.

It is well to remind ourselves of these seventy-four years of extortion, for I see it not infrequently said that the development of British wealth since the middle of the eighteenth century is due to our colliery proprietors. The fact is that it is due in the first place to Nature, who gave us the coal, and in the second place to the inventors who devised the steam-engine and mining machinery. What the colliery proprietors have done has been to use those methods, again to quote Sir Richard Redmayne, in a manner which is "extravagant and wasteful."

Of course, it was not possible, in a country where Nature had put such splendid coal near the sea, for the engineers who invented coal mining to work in vain. There was so much coal, and for long Britain had such a monopoly in coal-getting, through the political condition of the German States and the small population of North America, that an even greater waste than actually obtained would still have made this country a favoured power producer.[1] There was

[1] We do not commonly realize our natural advantages in this respect. If in 1913 we had wasted 80 per cent. of our coal output, we should still have had more coal than France, Spain and Italy put together.

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progress of a sort. The coal was got, if wastefully, and although the miners who were employed to work the ideas of the inventors were housed in many cases—and in some cases are housed even in our own day—as brutes ought not to be housed.

§ 4: The Waste Still Continues

The waste which still obtains is appalling. The evidence given to the Royal Commissions on Coal of 1905 and 1919, and to other Committees of Inquiry, shows that enormous quantities of coal are still thrown away with reckless prodigality.

The law holds that a freeholder possesses not only the fee simple of the surface of his land, but of whatever minerals may lie below it, and at whatever depth they may be made available by science. As Professor Charles Gide has so well said,[1] this absurdity "represents the landowner as possessing a pyramid, whose vertex is the centre of the earth and whose sides are prolonged into infinity." The verities of physical science, indeed, are strongly at variance in this matter with the conceptions of property which have been erected into law by property owners.

The landlords lease their coal to the fifteen hundred colliery companies who run our three thousand coal mines. It was proved to the Coal Commission how often the leased area fails to coincide with the proper area of economic work, so that shafts are sunk where they ought not to be sunk, and not sunk where they ought to be sunk; so that coal which ought to be carried to a proper economic point to come to the surface is taken instead to a pit shaft, in the wrong place, which ought not to exist.

Principal Knox, already referred to, gave to the Coal Commission on June 5, 1919, two maps showing the absurdities of a number of contiguous South Wales coal royalties. These maps resembled jig-saw puzzles. This matter is of so much importance, and can be so readily

[1] "Gide's Political Economy," translated by C. Archibald.

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understood by the non-technical reader, that I reproduce one of the maps. It will be seen that in an area of about ninety square miles there exist so many different royalties that nearly all the letters of the alphabet are used to distinguish them. Let me quote what Mr. Justice Sankey said about them:

"From A, B, C, D and E one sees how curiously they are shaped, and how they are run into each other. For example, look at C, which is in the middle of a number of others. Then look at the two little M's on the right-hand side of L. You will see that the M royalty owner has two little islands of royalty in the patch which belongs to L. Then look at the next one, and you will see the condition of things there. You will see how curiously shaped they are. They are very useful diagrams."

Working in such arbitrary and ridiculous coal takings, the colliery engineer cannot properly use the ideas of the inventors or his own skill. The engineer is turned into a blockhead by the system; he is made a fool by circumstances over which he has no control; his knowledge, his experience, go for nothing. He has to sink his shafts, not where they ought to be sunk, but where the absurd nature of the leases compel him to sink them. Add that each landlord demands a party wall of coal to separate his minerals from other people's minerals, and we get such a picture of waste as it beggars language fitly to describe. These party walls of coal are known as "barriers," and they are often 150 feet or more in thickness. So great masses of coal are year by year abandoned as the mines peter out; and the process was going on even while, up and down the country, the colliery proprietors were spending enormous sums of money, made out of wasteful coal getting, in inducing the British people to go on with a system of indefensible waste. With regard to pumping, that exceedingly important factor in coal mining, a moment's thought will show that it is impossible to arrange a scientific central pumping system in coal areas controlled by many separate colliery proprietors leasing odd bits of ground and the minerals under them from various landlords. This leads to much waste, not only of power and labour, but of the coal itself.

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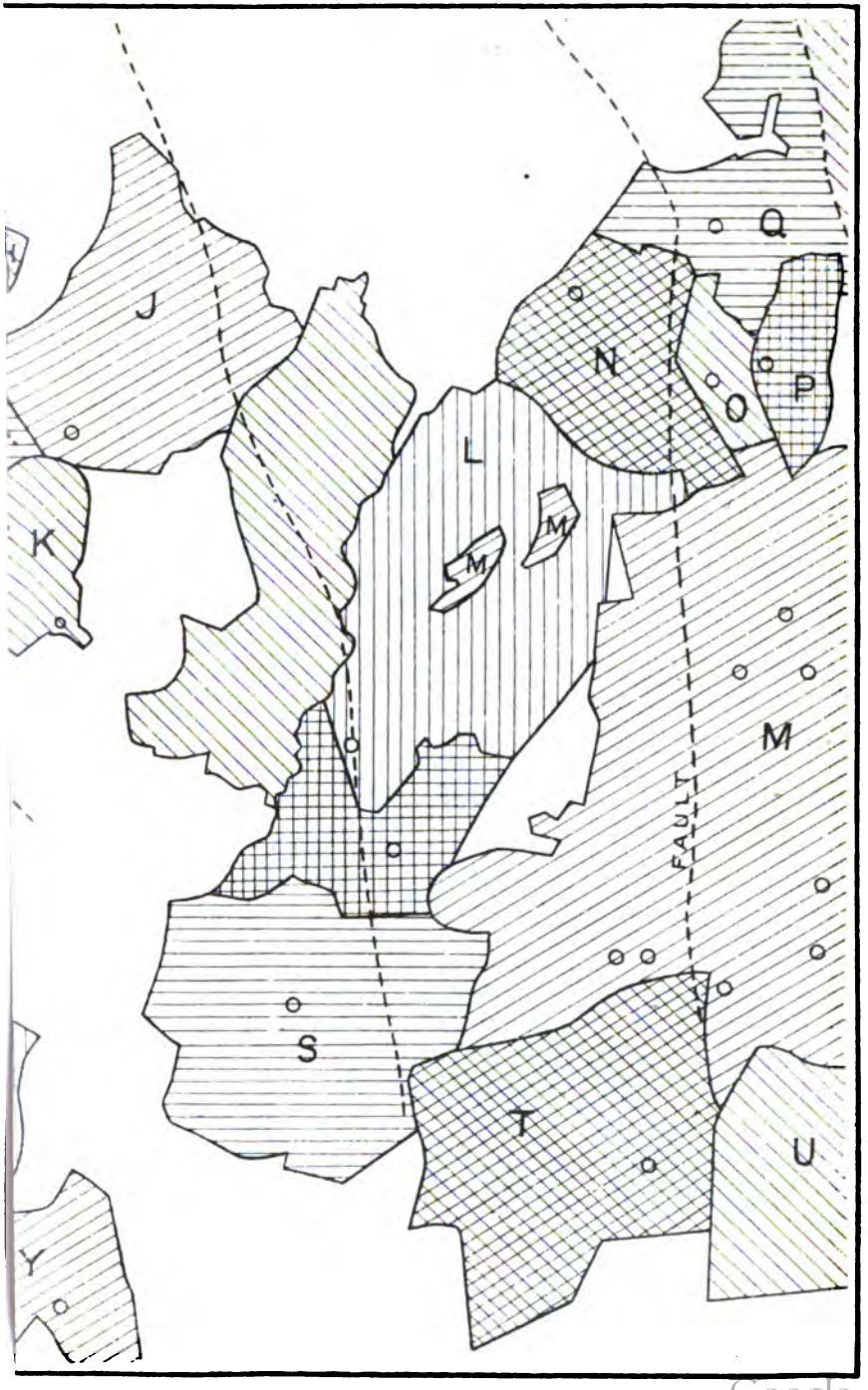

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As for the general machinery and plant of mines, this varies from very good to very bad. I have already given (page 22) the verdict of an expert on the Yorkshire mines. Electricity and compressed air are not employed adequately; only a small percentage of the coal is got by machinery; it is only the minority of our mines which have up-to-date winding machinery (the machinery which actuates the cages, or lifts, in which the men, coal, etc., are moved in the pit shaft), conveyors, haulage systems, etc. The collieries waste coal not only through the absurd barrier system, but by leaving small coal in the mines, by inadequately working thick seams, and by employing power plants which waste a great deal of fuel.

Finally, the neglect of the by-products of coal, which cost us so dearly in the war (see page 35), although partly remedied by the Ministry of Munitions, still goes on.[1]

But, unfortunately, we have not done with waste when the coal leaves the pit head. At that point the story is continued by our wasteful railways and by our extravagant use of fuel in industrial operations. The Coal Conservation Committee of 1918 pointed out that 55,000,000 tons of coal could be saved every year for power purposes alone by the creation of great central power-stations. The evidence is thus overwhelming that the British and foreign engineers who taught us how to employ coal have had their work largely thwarted by its very imperfect application. To revert to an illustration already used in these pages, we see that we have not to proceed beyond coal-getting to understand how it is that, while we possess potentially at this moment the working power of at least 2,000 million persons as men were equipped for work in 1750, we are deprived of that power through the application of the incentive of private profit to the exploitation of great ideas.

[1] For a more extended statement of the waste in colliery operations see the volumes of Reports and Evidence of the Coal Commissions of 1905 and 1919, also that valuable statement, "The Nationalization of the Mines," by Mr. Frank Hodges. Mr. Hodges points out that in addition to what have, unfortunately, to be called the normal economic evils of coal capitalism, the owners are to-day "working inferior seams and closing up good ones until the great day when emancipation from artificial restriction of prices and of profits would have come."

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CHAPTER XII

FIRST THINGS FIRST

§ 1: The Nationalization of Power

A SURVEY of the economic conditions of the nation can leave no doubt in our minds as to what factor should receive the earliest attention in a scheme of national organization.[1]

The first national economic interest is to get coal economically and to use it economically. We have seen with what prodigal wastefulness the coal industry has proceeded, and that its boasted success has amounted to improvident dealing with peculiarly rich coalfields. The waste can only be ended by a policy of complete nationalization which shall enter into possession of all the coalfields, proved and unproved, and work them with the strictest economy. We need more precisely to measure our coal reserves than has been possible in the extraordinary circumstances of irresponsible ownership which have so far prevailed. In the words of Professor Watts, in his presidential address to the Geological Society of London in 1912: "It is argued that the time has now come for the organization of a systematic survey of this area by means of a considered

[1] Since this chapter was written the Nationalization programme upon which a Labour Government has been returned to power in 1920 in New South Wales has been published in *Forward*. I take from it the following extracts, which will show what things appear "first" to Australian minds, and how they compare with the programme I outline here. It is of interest to observe that while I suggest (in this and the next chapter) that a British State agency should buy Dominion export products in bulk, the New South Wales proposal is that an Australian State agency should "buy at the source of production overseas" the import requirements of Australian consumers.

Extracts from the New South Wales Nationalization Programme.

"Community enterprise abolishes private profiteering. . . . We shall take immediate steps to nationalize the following: (1) monopolies; (2) the arteries of trade and commerce, such as coastal steamship and ferry services; (3)

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series of borings, so planned as to investigate the structure of the concealed palæozoic floor, to ascertain the thickness of cover, to locate any coal basins which may form part of the floor, and to elucidate their exact tectonic conditions in order to determine their suitability for profitable working."

As Professor Watts added, such an exploration would "introduce a new practice into British institutions, but it is pointed out that similar methods have been employed in foreign countries and even in British Colonies."

On this point of the *ownership of the coalfields* it is a notable fact that the Coal Commission of 1919 was unanimous in declaring that the greatest economy could only be secured by Nationalization.[1] A rapid summary of Mr. Justice Sankey's reasons for the State ownership of coal royalties is

> (*a*) That the coal seams are now vested in nearly 4,000 owners, most of whom are reasonable but some of whom are a real hindrance to coal development;

the public credit, banking; (4) communal safeguards against risks, insurance; (5) public light and power services. These are great public utilities, and in their very nature should not be operated primarily for profit, but for the public benefit.

"We shall establish national industries to provide the essential requirements of the primary producers, such as (1) State farming implement works; (2) State wire-netting works.

"We shall also set up a State agency to buy at the source of production overseas requirements of our primary producers which cannot be manufactured here, and we shall offer the primary producers the opportunity of arranging their own co-operative distribution.

"The general conduct of secondary industry, especially during the war, proves that uncontrolled private enterprise cannot be entrusted with the vital public interests which all industry must serve. We, therefore, propose to set up a competent business administration to regulate such industrial and distributive undertakings as may be proclaimed, and to (1) efficiently organize and develop such industries; (2) provide for participation of employees in management; (3) secure to the factors engaged therein an equitable reward from their joint production of services; (4) conserve the public interest in relation to quantity, quality, and price of production or service.

"We propose to immediately constitute a committee, representative of the producing and consuming interests, with a chairman nominated by the Government, to determine (1) fair prices based upon the cost of production for commodities for which, in the opinion of the commission, a price should be fixed; (2) the organization of distribution by the development of the State, municipal and co-operative enterprises; (3) control of cold storage, prohibition of cornering of and gambling in supplies; (4) adequate provision for home consumption before export of necessary commodities; (5) jail for the profiteer upon conviction of deliberate offence against the law."

[1] Coal Industry Commission Act, Second Stage Reports, Cmd. 210 of 1919.

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(*b*) That millions of tons of coal are wasted by the barriers or party walls of coal left between the properties of various coalowners;

(*c*) That drainage and pumping cannot be carried on economically, and that much coal has to be abandoned for lack of co-operation in drainage; and

(*d*) That the boundaries of coal undertakings are arbitrary and make good coal-mining practice impossible.

As to the nationalization of the coal industry, it is not generally realized that all the Coal Commissioners of 1919 agreed also that the present system of coal *distribution* is wasteful. Even the coalowners on the Commission threw over the coal merchants, as they had thrown over the coal lords, and recommended Municipal Socialism in coal.[1] Now it is perfectly true that the evidence given to the Coal Commission as to the waste arising from (*a*) the private ownership of the coalfields, and (*b*) the private distribution of coal, was remarkable and convincing, but it was certainly not more remarkable or more convincing than the evidence put before us as to the wastefulness of the colliery companies themselves. It is not a little curious that the capitalists on the Commission, in words almost precisely similar to those of Mr. Justice Sankey, should recommend State ownership of coal because "*under State ownership there would be one owner instead of over a thousand owners and the difficulties caused under the present system will be effectively dealt with,*" while failing to perceive that just as 4,000 coal-owners are a mischief in coal-ownership, so 1,500 colliery companies are a mischief in coal working.

The coalfields of Britain are compact in a little island, and they can be, and should be, grouped under district managements which would at once economize direction and enable us to apply, in each district, the brains of the most capable

[1] The recommendation on this head of the three coalowners and their two supporters will be found on page 40 of the Report, and is as follows: "The evidence shows that considerable saving is possible in the distribution of household coal.

"An extension in dealing with household coal by co-operative effort will no doubt take place automatically.

"We recommend that local authorities should be given statutory powers to deal in household coal, not as a monopoly, but in competition with private dealers or co-operative effort, subject to the provision that any losses sustained in such dealing shall not be chargeable to the rates."

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coal experts, charged with fields of work of a size which would give them a proper scope for their abilities. As to economy, as Mr. Justice Sankey puts it: "Unification under State ownership makes it possible to apply the principles of standardization of materials and appliances and thereby to effect economies to an extent which is impossible under a system where there are so many individual owners."

As things are, some mines lack capital and others lack proper management; both can be provided by the nation.

We cannot afford to continue to waste our greatest, almost our only, national material asset—the asset which changed the poor agricultural Britain of 1750 into an industrial power; the asset without which Britain would sink to the level of a petty State. We needs must bring the mischief to an end.

It is a profound mistake, however, to suppose that the need for national organization ends with coal getting. It is equally important to organize the distribution of coal as Power on a national scale. Fifteen years ago I wrote in "Riches and Poverty":

"Energy will be produced at a central power-station and distributed over a considerable area. The energy mains will carry the means of lighting, the means of motion (transport), the means of heating, the means of manufacturing in large, the means of manufacturing in small, the means of cooking, the means of cleaning, to every person in that area. Energy will be at the disposal of every factory, of every workshop, and of every private house. No building will be without its motors, large or small. Smoke and all the waste and dirt of smoke will disappear.

"I am not speaking of a remote future, but of possibilities which can forthwith be realized. How important it is, then, that this Energy supply, which is already entering and will increasingly enter into our everyday lives, should be publicly owned from the first. Given private ownership, the monopolists of Energy will run their mains where most profit is quickly to be garnered, instead of seeking, as we should seek, first profits in the thinning out of towns and the restoration of the health of our people."

In 1918, the Coal Conservation Committee, set up by the Ministry of Reconstruction, presented an important report on

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electric power supply, in which they made an admirable summary of arguments which have for many years been addressed in vain to a people whose very existence depends upon the economy of energy.

They pointed out that the most efficient way of supplying power is by the medium of electricity, and that a proper series of super power-stations, feeding a main trunk distributive system laid down throughout the country, would save 55,000,000 tons of coal per annum in industry, to say nothing of the saving in domestic use, and of the recovery of by-products.

They pointed out that it was a case in which neither municipal nor private enterprise would suffice, and that what was wanted was the planning out of the country into some sixteen power areas, in each of which electricity could be generated on a large and economic scale. Since I wrote in 1905 the words above quoted, the multiplication of power plants, which I foresaw, has proceeded, and in 1918 the Coal Conservation Committee pointed out that there were actually 600 different authorities generating electricity. The present average size of a generating station is only 5,000 horse-power.

The universal scheme would give new life to the British transport system and to British industry. It would actually create industries. It would greatly economize transport, since a vast amount of petty fuel carting would be swept away. The domestic and social gain would be no less than the industrial gain. Cities would become clean, and one-half of the present drudgery of women would disappear. The entire retail coal trade could be wound up. If our people had a scientific education they would not tolerate the obstruction of vested interests in this matter. It is a case which illustrates the mournful fact that an uninformed democracy does not perceive the grave wrong which is inflicted upon it.

But the march of electricity proceeds, if not in the United Kingdom. Since the war Sweden has decided upon electrification. Possessing already splendidly equipped State railways, she has decided to electrify them and to use the power stations for the national promotion of industrial welfare. When I was asked for my judgment upon the advisability of

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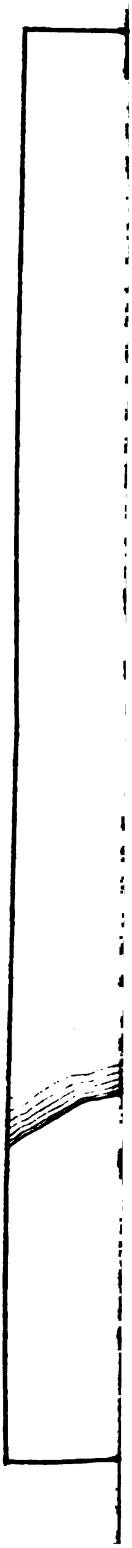

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substituting electrical for coal working in Sweden, I unhesitatingly recommended the immediate adoption of an electrical scheme.

Holland has just decided to electrify her entire area, after the manner vainly recommended by experts here. A full account of the scheme appeared in "The Board of Trade Journal" for May 20, 1920. A network of high tension transmission lines has been planned which, as will be seen by the accompanying map, will develop industry in all parts of Holland. The existing private companies will be bought up and 125 million florins spent during the next few years upon giving Holland such a power of industrial development as will undoubtedly give her great advantages both in the home market and in the export trade. Suggestions that the State should merely hold a large block of shares in a private electrical trust have been swept aside in favour of direct Nationalization. It is interesting to observe, on the technical side, that the capacity recommended for the power stations is 30,000 to 75,000 kilowatts, which may be compared with the baby generating plants which are now scattered up and down our country.[1]

If the nation had from the day of the Armistice applied itself to mines and to electricity as it applied itself to shells and guns before the Armistice, the industrial reconstruction of Britain might now be well afoot. Our mines by this time (July, 1920) could have been furnished with much of the material for lack of which their output remains poor. Their reorganization on an economic basis could by now have been well under way, and work could have been begun already upon national electrification.

§ 2: Our Inherently Simple Transport Problem

After power, transport. It was the necessity to transport that bulky and weighty substance, coal, which led to the invention of the locomotive by colliery engineers. That in-

[1] It was reported in *The Times* of May 21, 1920, that at a dinner of the British Electrical and Allied Manufacturers Association a speaker, in speaking to the toast of "The Industry," said that the proposal to establish super-

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vention happened to be made in a country where its exploitation presented the simplest possible form of the transport problem. Let us not entertain the delusion that there is anything inherently difficult in British transport, for if we do we shall not be properly ashamed of the conditions which we tolerate.

Railways were invented in a country which is a small island, no part of the interior of which is more than about 100 miles from the sea. As an island the country is neatly surrounded by a costless canal. The island, moreover, has few hills of any consequence, so that, *à priori*, the railway engineer has it all his own way. The invention, or group of inventions, which we call a railway, having been conceived, we have only to join up the ports and the interior by a series of lines which any qualified railway engineer could rapidly plan. We have observed that no such good fortune attended the invention of the railway in the United Kingdom. The railway engineer never had a proper chance. He had to put his rails, just as the colliery engineer had to put his shafts, where he was allowed by vested interests to put them. The result is the amazing network of petty undertakings which we have been encouraged from childhood to consider "great" ("Great" Western, for example; a railway which, on the scale of the world's railways, is a thing of very small dimensions), which never by any happy chance afford reasonable connexions, and which are not infrequently rendered even worse than they need be by deliberately bad working.[1]

The railway issue is only a problem as long as we care to have it so. There is nothing problematical about what ought to be done. In 1918 a Parliamentary Select Committee was appointed to consider ways and means of improving our

power stations in Britain was "utter nonsense." The Committee which recommended the "utter nonsense" had for chairman Mr. Charles H. Merz, who is not without honour save perhaps at a trade dinner. Mr. de Ferranti, a past president of the Institute of Electrical Engineers, published estimates for a universal scheme some years before the war.

[1] Lord Allerton, when chairman of the G.N.R., speaking on December 20, 1907, spoke of "unnecessary and separate train services, not always taking the shortest road, not always making connexion at a particular junction so that trains may meet, and very often making the arrangements such that they shall not meet."

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internal facilities for transport. Its membership was drawn from all political parties. It reported unanimously at the end of 1918 that it had received evidence from railway managers who were members of the Railway Executive Committee (see page 119) to the effect that "if a policy of unification of management, combined with a pooling of assets of the railway companies, were adopted it should be possible to give the public better service and facilities at less cost to the railway system." Upon the evidence it reported:

"From a purely technical point of view it appears, therefore, to be desirable that there should be a unification of ownership, not merely unification of management, of the main railway systems, because, while unification of management would undoubtedly be a great improvement upon pre-war conditions, and would assist materially to secure more efficient organization and management, it would not, without unification of ownership, permit of the use of the assets of the combined system to the best advantage, nor allow of the provision of new and costly equipment without constantly giving rise to undesirable financial negotiations and difficulties. Whether the State or one large joint stock concern owned the railways would be immaterial from this point of view; the essential conditions are that there should be single ownership and single management."

It is, perhaps, not surprising that this Committee was driven to the conclusion which railway reformers have been urging upon the nation for the last seventy years. But, as everything that this Committee discovered and reported had been discovered and reported so many times before, and, indeed, was so obvious as to report itself to any person with ordinary powers of observation, one cannot help wondering whether for seventy years longer the railways of the United Kingdom are to remain an object lesson in the frustration of science by commercial methods.

Our railways are as extravagantly wasteful as the getting of the fuel which drives them, and, indeed, they are themselves, like the colliery companies, a large cause of the waste of fuel. For one great element of waste they are not to blame. The nation has permitted private traders to own individual railway trucks of thousands of different patterns—all of them

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poor and obsolete patterns.[1] Any railway traveller can see the thing for himself any day—the long line of heterogeneous toy trucks, labelled with the names of colliery companies, brickyards, and other traders, which have to be shifted about the country to their destinations and then, when empty, sorted out like cards and re-delivered, after much more costly shunting, to their fortunate owners. Sir Eric Geddes, Minister of Transport, denounced this folly in the House of Commons, but so much is it admired that during the war a President of the Board of Trade thought it inexpedient even to pool railway wagons.

For the rest, the establishment of a large number of independent railway authorities must be held responsible. Each company has adopted its own practice in such matters as the building of locomotives or the manufacture of signalling apparatus, and a host of inconveniences arise from uncoordinated working.

Large modern railway wagons cannot be employed on our railways because what is called the "loading gauge," i.e. the clearance allowed by the construction of platforms, bridges, tunnels, etc., is not liberal enough to admit of the use of the economic wagons which are a commonplace in the State system of Germany. Here, as elsewhere, we find that the allegation against nationalization, that it spells death to enterprise and improvement, is the very reverse of the truth. In technical matters the State railways of Germany—I speak, of course, of the conditions that obtained before the Peace Treaty deprived them of a large part of their equipment—are a shining example to individualistic railway enterprise in Britain.

As for facilities for the public, the national railways of the world, whether under such forms of government as obtained in Germany before the war, or in democratic Switzerland, or

[1] Mr. W. M. Acworth, the railway economist, writing on December 21, 1919, said: "Unquestionably economies, reckoned in millions sterling, can be made by the modernization of our antiquated methods. Take a single instance, the coal trade. The Americans have for years past been using coal trucks carrying 70 or 90 tons of coal, and within the last few months they have got out a pattern of cars to carry 112 tons. Our railways are still restricted to toy vehicles of 10 tons, because unaided they cannot break down the opposition of the coalowners and coal merchants and dock authorities." The present writer published pictures of the big American trucks twenty years ago.

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in still more democratic Australia, have always been far ahead of our private companies.

There was an exceedingly amusing passage in the evidence, before the Committee of 1918, of Sir Francis Dent, the general manager of the South Eastern and Chatham Railway—a concern which has been a peculiar trial to me from my boyhood—on the cheap fares of the Belgian State railways. Sir Francis averred that Belgium carried cheap fares "to such an extreme point that they had a lot of uneconomical travelling which was neither good for the people nor for the railways." Here, indeed, was railway wisdom as exhibited in the Britain of after-the-war. When a railway is cheap, it seems, people travel more than is good for them! According to this argument, there ought to be a toll bar and pay-box at the end of every road, for fear that people should walk overmuch. Sir Francis Dent was at once reminded by members of the Committee that the Belgian policy of cheap fares, upon which Porter commented in 1847, and upon which Gladstone commented, had had the well-known and beneficent effect of enabling Belgian workmen to live outside the towns and enjoy good gardens and allotments in healthy neighbourhoods. It is perfectly true that our railway managers have only too thoroughly prevented anything of the kind happening in this country. In Surrey, from which I was reluctantly driven by the appallingly bad service and slow trains of the South Eastern Railway, there are magnificent stretches of beautiful country close to London. The tops of many of its lovely hills are crowned by lunatic asylums, but you will find no cottages near them inhabited by London workmen. That the beauties of Surrey should be for the lunatics, and not for those who are not yet mad, is typical of our methods of national organization. The insane are fortunately under the care of public authorities, and therefore they may live in Surrey. The sane are housed by "private enterprise," with "private enterprise" railways to cut them off from what might be glorious homelands.

The Transport Committee of 1918, as we have seen, advised that there must be "unified ownership and unified management." That means nationalization, for obviously it would be inexpedient to create a huge railway trust.

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The nationalization of the railways should be accompanied by the complete nationalization of all other forms of transport, including coast-wise and ocean shipping. There should be proper co-ordination of transport by rail, road, canal and sea, and an economic distribution of different orders of traffic between these different forms of transport, just as the railway and canal traffics are, or were, co-ordinated in Germany. The great canals and canalized rivers of Germany largely correspond to our coast-wise facilities, which are inadequately organized by small and often inefficient firms.

I have spoken of the co-ordination of all carrying services, including road transport. The waste of labour and material in existing road transport is little realized. The coming of motor transport gave the nation a great opportunity, which was accentuated by the provision of so much road material for the war. Piling waste upon waste, the petty carrying of hosts of large and small traders is being supplemented by the competing and overlapping services of firms owning motor lorries, who are now advertising their little facilities. The sale of Slough (see page 66) and of the national stock of road transport material, was the loss of means to organize a fine public system of road carriage duly co-ordinated with railways and waterways.

And thus also with aerial transport, which should least of all have been resigned to the vagaries of commercialism. The Postmaster-General invites tenders for the private performance of a public air mail service between London and Paris. The Post Office ought not thus to become a middleman in air services; it is as wasteful as it is dangerous. Aerial navigation is fraught with so many perils to the public, as will be found in due course, that we shall be compelled, sooner or later, to buy out the private undertakings. It would be cheaper and better to own the air services from the beginning.

§ 3: Our Insular Insecurity

The revelations of the war, and the reports by the Admiralty upon the manning of the mercantile marine, should

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be enough to convince any impartial inquirer of the necessity for the application of national organization to the sea services. Since the beginning of the war the profits of the mercantile marine have been large enough to buy it out at pre-war values three times over. As I have said, it is not commonly realized how small an undertaking the British mercantile marine actually is; its total valuation at the outbreak of war was about £170,000,000, which we may compare with the £133,000,000 of capital of the London and North Western Railway.

Great economies and improvements could be effected by nationalized working. The operations of the shipping rings have from time to time justly excited the opposition of shippers and merchants. The Royal Commission on Shipping Rings, which reported in 1909, came to the remarkable conclusion that "Shippers and merchants in a given trade should form themselves into associations so that they might be able to present a united front to the Conference (Shipping Ring) when any controversy arose." This suggestion that the way to fight a shipping ring is to form a merchants' ring is not without humour. It is again typical of the helplessness of an individualistic society when confronted with commercial abuses impossible under nationalization. As to economy generally, a multitude of independent shipping offices, clerks, brokers, agents, ship brokers, insurance agents, etc., could be swept away. At each port one shipping office would suffice for all the maritime work of the port. The insurance of shipping would disappear. It is curious how familiarity with the business of insurance makes us oblivious to its true character. The Royal Navy is worth much more than the mercantile marine; the former has not to be insured; the latter is necessarily insured because in private ownership. Thus a great business, ship insurance, with all its offices and officials, exists unnecessarily merely because we do not abolish private shipowning as we abolished privateering.

As for efficiency, to compare the average ship of the mercantile marine with the worst of the ships of the Royal Navy is to make a comparison which is sufficiently odious. We cannot blame the masters, officers and men for the inefficiency; on the contrary, they repaid us in the war not in terms of the poor coin we permitted to be paid to them, but

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with gallantry and devotion. Nevertheless, it would be idle to ignore the crying evils of manning as it has been practised.

It is difficult to know why it should be alleged that the nation would have any difficulty in finding capable shipping managers. Australia has experienced no difficulty in the matter, nor is there any good reason why she should. It is amusing, and sometimes more than that, when the nationalization of shipping is denounced as "difficult" by gentlemen who a few years ago hardly knew one end of a ship from another, and who yet contrived to make fortunes out of an alleged difficult business in the war. The fact of the matter is that the genius of steam shipping was provided by engineers, most of whom are dead, and that we have not yet seen in the world an adequate fruition of that genius.

On the general organization of Ministries of Transport and Shipping, it has been observed that coast-wise shipping might be co-ordinated with the work of internal transport. Nevertheless, it would be well for the whole of the shipping to be controlled by the Shipping Ministry, a close liaison being established to secure due connexion between coast-wise and internal services.

It would be an economy to build the national vessels in national yards. The Royal dockyards are the most efficient yards in the country. In Devonport dockyard, as Sir Clement Kinloch-Cooke reminded the House of Commons on March 18, 1920, H.M.S. *Warspite* was built for £70,000 less than either of the three sister-ships built in private yards. As for "business experience" in private yards, it is, as Sir Clement said, "sheer nonsense" to speak of private superiority, for capitalist yards frequently recruit their chief officials from men who have served their apprenticeship in Royal yards. As for equipment, the national yards are far ahead of the private ones.

Two of the British Dominions, Canada and Australia, have embarked upon shipping nationalization on a considerable scale and with great success.

Canada has thirty-two ships in commission (July, 1920) and twenty-eight more under construction. The management is entrusted to the Canadian National Railways (which

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have a total mileage of 40,000 miles, and form over one-third of the total mileage of Canada). The ships are formally vested in the Canadian Government Merchant Marine, Limited, and are doing very well. Great enterprise is being shown in opening new routes, to the very great advantage of Canadian commerce. It is not a little amusing, in view of the charge that State undertakings are not "enterprising," to read a paragraph in the "City Notes" of *The Times*, headed "A Pioneer Policy in Shipping," directing the attention of "old-established companies" to the excellent work being done by Canadian national shipping.

Australia, early in the war, bought ships for herself, and afterwards wisely added to them, even while the British Government was incontinently selling out its fine fleet to private interests. Australia, in July, 1920, has seventeen steamers of over 112,000 (deadweight) tons in commission, 160,000 tons building in Australia, and 75,000 tons building here, a total of 347,000 tons. She has also 124,000 tons of ex-German vessels under management. The control is vested in a body termed the Commonwealth Government Line of Steamers.

The enterprise has been brilliantly successful, despite the bitter hostility of the British companies plying to Australia. The original cost of the vessels has been written off out of profits, and a big balance handed to the Australian exchequer. The profits up to June, 1919, came to £3,520,000, and, in addition, £2,783,000 profit accrued from working the ex-German steamers. In the last twelve months equally good results have been obtained, but the precise figures are not yet available.

It is necessary to insist again upon the question of security. While yet the possibility of war remains, and while the nation is still spending enormous sums upon defence,[1] it is incredible, after the experience of the late war, that the nation should allow private persons to build any sort of ship they like, and to man them how they please. The conditions of sea warfare have changed for ever. As

[1] The Estimates for 1920-21 provide £230,000,000 for the Army, Navy and Air Forces; in addition, there are "Appropriations in Aid" (intercepted revenues) amounting to £39,000,000, making a total of £269,000,000.

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to submarines, the attack is still stronger than the defence, while the development of aerial warfare will, unless stayed by international agreement, be more deadly to the safety of merchant shipping than the submarines. Thus the position of an island nation depending upon sea-borne food and materials *has changed from one of exceptional security to one of exceptional insecurity*. In these conditions those who desire to maintain the British mercantile marine as a collection of privately owned heterogenous vessels are undertaking a very terrible responsibility. If the Press put the facts on this head plainly to the people, public opinion would demand Nationalization.

§ 4: Housing as a National Industry

The paramount importance of housing places it high amongst the primary concerns of a national economic policy, and a Ministry which did no more than apply itself to the nationalization in appropriate forms of coal power, transport, and housing, would stimulate every industry for good, and confer a social benefit upon every inhabitant of the country.

During the war, when the nation wanted to house workmen, it made no bones about the matter; it just built the necessary houses. For example, it built townships at Gretna after a fashion which excited the admiration of all beholders. Similarly it proceeded with garden cities at Chepstow, and again the houses were admirable; a talented architect friend of mine was as much struck with them as I was. Again, at Well Hall, a suburb of Woolwich, a remarkable solution of the housing problem was promptly effected during the war, in spite of the shortage of labour and materials. The personnel of Woolwich Arsenal was suddenly multiplied by six, and provision had to be made for a great new army of workers. Well Hall, where the houses were erected, is about one mile from Woolwich, and there was nothing very beautiful about the site of one hundred acres when it was

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taken over. Unlike the jerry builders, however, who sniff at the word "architect," the Office of Works put artistry into the proceedings, and Well Hall promptly sprang into existence as a beautiful English village. Mr. Harold Cox never tires of telling us that when the State takes over an industry or organization it is impelled by a malignant fate to make everything exactly alike. Little children grow up all of one pattern, dipping the same sort of little spoons into identical porringers, and walking from houses all of one type, at exactly the same pace, to schools where the regimentation of little Socialists is the order of the day. Mr. Harold Cox and those who think like him should really pay a visit to a State-built garden city. They will find that it is in the public undertaking that one gets ingenuity, initiative and variety. It is where the private builder reigns supreme, as in Walthamstow or Catford, that we find the monotonous rows of houses, all exactly of the same pattern, which we are assured is the only possible fruit of public endeavour. The State village at Well Hall, like those elsewhere in England (and in Holland), is full of charm and variety, the result of public servants taking pride in public work. There is plenty of character in the building, and the general air of prosperity and comfort which the place exhales is a reality. The greater part of the trouble and poverty of our civilization arises from the misapplication of means. The artist, like the scientist, has never a chance to show what he can do. However much money a workman earns, he can buy little with it that is worth having. It is as true of the London artisan as of the Welsh or Scottish miner, that if you doubled his pay to-morrow he could not get a beautiful home, and a beautiful home is a large part of any real wage we can possibly earn.

Fortunately, some local authorities are awakening to the simple but far-reaching conception that *the way to solve the housing problem is to build houses.*

At Newbury, in Berkshire, the municipality in October, 1918, invited tenders from the Master Builders' Association for the construction of certain small houses. The tender came out at £875 a house. Mr. S. J. L. Vincent, A.M.I.C.E., the borough surveyor, felt sure that the houses could be built

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by direct labour for much less, and the town embarked upon a valuable experiment. As a result, the houses are being built for £650 each. As the number of houses to be built is nearly 3,000, there will be an enormous saving, but that saving is by no means the only advantage in the matter, great as it is. The houses are thoroughly well built, both as to materials and labour. The workers obtained that hitherto unheard-of thing for men of their craft, a full week's pay whether the weather is wet or fine. Now for what is called the "Government stroke." The workmen passed a resolution to the effect that they would "support the Council in the erection of houses under the proposed housing scheme to the best of their ability and in the interests of all the ratepayers."

And they kept their word. The surveyor testifies that he has never known such good and thorough work before in thirty years' experience. Not an hour has been lost.

As for the question of "officials," the borough surveyor is himself the architect, and he has one assistant and one cost clerk—another instance of the economy of officials with public direction. A town needs only one building management and one set of "officials"; as things are it gets many builders, each with a separate office and staff.

It should be added that the Newbury houses are excellently planned and a refreshing contrast to the ordinary type of builders' cottages. They each have a parlour, as well as a kitchen-living-room, three bedrooms, and a good upstairs bathroom, fitted also with a lavatory basin.

From other quarters come similar tales of successful municipal Socialism. Tonbridge (Kent) expects to save £25,000 in the building of 500 cottages by direct labour. Southgate (Middlesex), which was quoted £1,000 by the contractors for a small house, finds that the cost of erection by direct labour, inclusive of land, roads and sewers, is £690. In this case direct contracts are entered into with working men for the labour required. The Gosport (Hants) Council, having received a tender of £1,100 for the conversion of two army huts, refused the kind offer and did the entire work by direct labour for £600. This led them to apply the same method to a first batch of 64 houses under

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their local housing scheme. Bradford has in hand a very big direct labour scheme. And thus in other places; over fifty local authorities are now applying Socialism to the building "problem," sometimes with the aid of a Building Guild—a working Socialistic unit.

Even more significant and important than this successful Socialism in building by local authorities, is the splendid work which is being done by the Office of Works in conjunction with the Ministry of Health, local authorities and trades councils. As I write (July, 1920) the Office of Works has in hand some £6,000,000 worth of building work for the Camberwell (London) Borough Council, the Shoreditch (London) Council, the Bedford municipality, etc. The Office of Works is acting in the joint capacity of architect and building contractor. The officials who built the very beautiful Government village at Well Hall are bringing the same capacity, artistry and enterprise to the assistance of local authorities. At Camberwell some 500 houses are being erected, the local authority finding the money, the local trades council finding the labour, and the Office of Works finding the technical management and acting generally as building contractor. The result is excellent in every way, financially, artistically and socially. Labour is brought in as a trusted partner and behaves accordingly.

At Bedford some 450 houses are being erected. At Shoreditch the work relates to blocks of flats.

It is very unfortunate that some local authorities have saddled themselves with contracts by which private builders engage to put up little cottages at £1,000 each. The Office of Works can build such places for several hundred pounds per house less.

It should be observed in what respect this excellent work, upon which the Department is heartily to be congratulated, differs from the munitions work in the war. The difference lies in this, that the Office of Works is merely acting as a building contractor and its operations are necessarily limited by the finance of the local authorities. It would be the simplest possible operation to turn the Office of Works into a great National house-building concern, supplied with ample funds by the central authority (if necessary, by a forced

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housing loan). Such an authority, acting in alliance with the local authorities and with the local labour bodies, as at Camberwell, could make very short work of the British housing problem. It could establish power factories for the production of doors, window-frames, fitments, etc., on a large scale with great economy. Its work could be greatly aided by taking direct control of all the combines which now deal with building materials, including in particular those handling cement, wall-paper, and light castings.

It is not suggested, of course, that a central building authority could or should displace the municipalities which are already building by direct action. In some cases a central authority, however, could act where a local authority is neglecting to do so, and in all cases it could act as a co-ordinator and assist with plans and materials. It is the plain duty of the Government to call the attention of municipalities to the splendid practical results which are being secured by direct action, so that the public may be saved from the heavy losses consequent upon giving work to the contractors.[1]

The national reward of such national action would be out of all proportion to its cost. The housing question, like war, is a matter of life and death. From first to last, between August 4, 1914, and November 11, 1918, we lost roundly 600,000 men in warfare. In the same period 3,000,000 men, women and children died in the United Kingdom. At least 600,000 of the 3,000,000 died premature deaths, mainly through disease bred in our unhealthy towns. The toll of war has gone by, but the unnecessary deaths of peace continue. A policy of direct action, such as we practised in the war, is the only means of bringing swiftly to an end housing conditions which are as potent a source of social unrest as of physical deterioration.

But it is not enough to build new houses. The existing houses should be dealt with on the grand scale by the town authority (1) acting as sole landlord, or (2) repairing houses street by street and recovering costs from the owners. Efforts should be directed to opening up the crowded areas as new building is done on the outskirts and as transport facilities

[1] The Queensland Government has made a great success of Socialism in building.

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are provided. Strips of well-kept verdure, shrubs and trees should soon intersect the slum areas. The transformation of power would make it possible for roses to bloom in the heart of every town; roses that are at once cheap and priceless.

The town as sole landlord of its area could make short work of the dens which defile our cities. In his "London Sonnets" Mr. Humbert Wolfe has some mordant lines on "The Streets behind the Tottenham Court Road," which run—

> Row upon row the phantom houses stain
> The sweetness of the air, and not a day dies
> But some woman's child turns down that way
> Along those streets and is not seen again.

We sometimes speak of a thing called public spirit. Is there never to be a sense of public shame?

§ 5: The Creation of Credits

The declaration of war would have been the signal for the complete collapse of our banking system but for the intervention of the State. Yet, although the private banks which rule our credit operations had to be saved by national action, the State throughout the war, as before the war and after the war, had to go cap in hand for credit to the very concerns which without its aid would have shut their doors. The Bank of England itself is a private institution enjoying legal privileges, which, instead of working solely in the interests of the community, as do the various national banks of other countries, has also to consider the interests of its own small body of shareholders.

As for the joint stock banks, they are becoming a close monopoly. The process of amalgamation has now given us a group of five large institutions which cover by far the greater part of the banking field. Their paid-up capitals and the amounts of their deposits at December 31, 1919, were as follows:

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The Five Chief Joint Stock Banks at December 31, 1919.

	Paid-up Capitals £	*Deposits* £
London Joint City and Midland Bank, Ltd.	8,417,000	372,000,000
Lloyds Bank, Ltd.	9,421,000	325,000,000
London County Westminster and Parr's Bank, Ltd....	8,504,000	305,000,000
National Provincial and Union Bank of England, Ltd.	7,807,000	252,000,000
Barclays Bank, Ltd.	8,820,000	296,000,000
	£42,969,000	£1,550,000,000

It will be seen that with very small capitals the joint stock banks handle businesses of great magnitude.

The aggregate deposits with the "Big Five" are seen to amount to £1,550,000,000. The deposits with all the banks on the same date amounted to £2,300,000,000. The deposits of the five therefore represent about two-thirds of the whole. The 700 English banks of a century ago have dwindled to 29, but the 29 have over 6,000 branches.

The main function of banking appears in the "deposits." For the greater part, the £2,300,000,000 of deposits consists, not of cash deposited with the banks by their customers, but of advances to their customers by the banks upon security. The banks thus create credit. Loans are made, or bills of exchange discounted. The sums advanced appear as "deposits." The deposits are drawn upon by cheque. The "money" of the country at any time properly includes not only the currency but the bank deposits. The currency is chiefly used in paying wages and in small transactions. For the greater part, payments are made by cheques, drawn upon what is actually privately created money. So little is this understood that we have seen writers in the Press attributing the rise in prices to the creation of a relatively small quantity of paper money, and ignoring the vast manufacture of "money" by the banks, the deposits of which grew from £1,070,000,000 in 1914 to £2,300,000,000 in 1919.

Banks lend their customers the power to draw cheques and so we get our cheque-currency. When the war broke

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out the banks were liable to a call for over £1,000,000,000 in the legal tender—gold, or Bank of England notes, which are the same thing as gold, being merely gold certificates.[1] In normal times the cheques drawn cancel out against each other, and the banks know that the call for legal tender will be small. If gold were demanded for even a small proportion of the bank deposits at one time, all the banks would shut their doors. When the war came the Government saved the banks from certain disaster by a special bank holiday of four days, and by the issue of paper money, which was accepted by the public through its confidence in the State—a striking lesson in what ought to be the obvious fact that the credit of the State is superior to that of any individual citizen or group of citizens. The new "Treasury Notes," created by the Act of 1914, were, in the words used by the Chancellor of the Exchequer (Mr. Lloyd George) on August 5, 1914, "Government notes, with, of course, Government security, and convertible into gold at the Bank of England." The public, having complete confidence in the new "legal tender," did not convert their Treasury notes, and the situation was saved.

A week later (August 13, 1914) the Government, to the great comfort of the City, guaranteed the Bank of England against any loss it might incur in discounting approved bills of exchange accepted prior to August 4, 1914. The Bank of England, of course, is the Government's banker (and also the banker of the other banks). That the State, as customer of a private bank, should both give it credit and take credit from it is a curious anomaly.

So the credit of Britain was retrieved. The inverted pyramid of the private banking system was propped. But the nation had to save itself—by State action.

The creation of credits is a function of extraordinary importance, which nearly concerns the welfare of the community. The rate of interest charged by the banks for loans and advances is a considerable factor in the cost of housing and of practically every article of consumption, and while money power remains in private hands the community is de-

[1] Part of the Bank of England note issue, however, is against Government security.

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prived of effective control of price. If the Government had been in control of credit, the existence of National Banking would have simplified the financial operations of the war, which would have presented no difficulty as far as internal exchanges were concerned.

The war over, the possession of a National banking system would have enabled the nation to address itself with facility to the problems of reconstruction. The case of housing is an outstanding example of the advantages of a national credit institution. The building of houses is almost wholly concerned with domestic materials and domestic services. The production and exchange of these could be financed to any extent by a State Bank with absolute safety and security, for the credits created would be in respect of buildings immediately formed and immediately productive of revenue. The present deplorable process by which public authorities are borrowing the credits, great and small, of private citizens, at large rates of interest, by an expensive process of advertising, would, of course, be entirely unnecessary, and all its waste, delay and futility avoided.

There will come a day when it will be found difficult to persuade a schoolboy that there once existed in his country a National Government which gravely borrowed 15s. 6d. from a domestic servant and promised to turn it into 20s. for her in five years.

§ 6: The Public Health

The case for the immediate nationalization of the medical services, including the hospitals and pharmacies, is a very strong one.

There are about 34,000 physicians and surgeons practising in the United Kingdom, or one to each 1,400 of the population. It would be a small proportion if the medical services were equally distributed, but medical men, like other people in a commercial market, are driven to seek income where income is to be found. The proportion of medical men attending the poor is therefore very much smaller than one in 1,400.

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First Things First

If the recruiting revelations of the war led us to establish a free State medical service, the 600,000 lives lost would not have been spent in vain, even if they secured no other result.

From the point of view of national economy, no more lucrative investment could be imagined. The present cost of the "panel" doctoring, added to the expenditure on quackery, could furnish a great and well-paid profession, which would be relieved of monetary cares and enabled to devote itself to the public health in the spirit which is everywhere shown by the existing medical officers of the local authorities. The hospitals would no longer be begging institutions consuming enormous quantities of printing and the services of many secretaries and clerks in the attempt to keep their heads above water. The nurses would no longer be the underpaid and overworked drudges which the voluntary hospitals make of them. The pharmacists would be changed from competitive shopkeepers into what they desire to be—professional men following an honourable calling. The quack and his advertisements would disappear. The reaction upon society and industry would be profound. "Plenty of work and a heart to do it," quoted Mr. Justice Sankey to the Coal Commission. There can be little heart for work in the hygienic conditioning of much of our labour power to-day.

The case as to dentistry is deplorable. There are only 5,400 registered dentists in the United Kingdom, but the streets of our cities are lined with the advertising show-cases which betray the unqualified tooth jobber. Not a day passes but thousands of ignorant folk are preyed upon by these quacks, with results from which many of the patients suffer all their lives. In frequent cases good teeth are deliberately extracted to make a job for fitting artificial teeth. The socialization of dentistry is an urgent necessity, and the work of the profession should begin in the school.

The opportunities of a medical man in a National Medical Service would be enlarged and ennobled. The world has just mourned the death of that remarkable State officer, Surgeon-General William Crawford Gorgas, of the United States Army. Because he was a public servant he was able to

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utilize, as had never before been done, the work of Sir Ronald Ross and others who had discovered that malaria and yellow fever were carried by mosquitoes. The French failure at Panama, in spite of the brilliant work of de Lesseps, arose from two causes. The first was the jobbery and peculation which attached themselves in this, as in so many other cases, to private enterprise. The second was the destruction of health by tropical disease. The State organization of the American Government supplied adequate capital and efficient plant, while disease was fought and utterly defeated by a State official, Surgeon-General Gorgas. The Panama zone was drained, the breeding grounds of the mosquitoes exterminated, and the area made so healthy that fever and malaria disappeared. It is notable, too, that the public spirit of Gorgas was shared by the officials who served under him, many of whom valiantly submitted themselves to dangerous experiments in order to secure the success of the work. It was a triumph which will help to make the tropics exceedingly fruitful to the world.

It should not escape attention that if Gorgas had been a private individual of exactly the same qualities, and possessed of exactly the same amount of knowledge, skill and enterprise, he could not have banished the mosquitoes from Panama. The thing had to be done thoroughly. Every pool had to be drained or oiled, and every private person compelled to save himself and his neighbours by making it impossible for the insects to breed. The necessary powers could not have been obtained by a private person, however clever and however determined. Thus it is with organic diseases in our society. We know how to get rid of them, but no one has authority to do the necessary work, and the private doctor can do no more than tinker with diseases which are allowed freely to breed and, indeed, deliberately provided by private enterprise with suitable breeding places. The price is paid in the ill-health or premature death of millions.

The moral has also been pointed by Sir Ronald Ross himself. Writing to the *Times* on July 24, 1920, he said: "I for one have never been employed by my countrymen in an executive capacity to give effect to my own suggestions. On the other hand, Gorgas worked with the whole support

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of the American State behind him." Ross, the discoverer, had no State backing; Gorgas, the organizer, wielded the authority and material aid of a strong Government.

§ 7: Some Other Prime Factors

It is not within the scope of this book to review in detail every factor of national organization. I have referred at some length to certain matters which demand instant determination; there remain others of great import upon which I will briefly touch.

High among the measures of urgency I place the necessity to give freedom to municipalities to pursue any works or enterprises whatever, save certain scheduled industries such as alcohol, railways and electrical power, which need national direction. I attach the very greatest importance to this matter. When I examined German municipal institutions some seven years before the war, I was so struck with the splendid results of German local autonomy that I introduced into Parliament a Bill to give similar freedom to British local authorities. I was amused to find that what was regarded as a proper freedom in "bureaucratic" Germany was regarded with consternation by apostles of "freedom" in England. It is absurd that Manchester or Birmingham should not possess the same right to trade as either (1) Cologne or Frankfort, or (2) a number of irresponsible individuals who have never seen each other and who put up money to establish a joint stock company from which they hope to draw dividends. The town company, which is a really live entity with a soul to be saved, should at least have as much power in economic matters as a concern registered under the Companies Acts. It would also be a great gain to relieve Parliament of its needless and expensive surveillance over the conduct of responsible local authorities.[1]

[1] In this connexion it may be noted that the Ministry of Munitions, having sold some of its surplus clothing to the Bradford municipality, actually raised objection to the municipality opening a shop for the disposal of the clothing for the benefit of the public; this interference with civic liberty could not happen in Germany.

The same municipality, desiring to establish a hospital, had to seek the

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The Triumph of Nationalization

The nationalization of land is as necessary for the fullest agricultural development and afforestation as for the best use of area for civic amenities and for housing purposes. I pointed out fifteen years ago, in "Riches and Poverty" (first edition, 1905), that to nationalize the whole of the land outside the towns would be an extraordinarily good financial investment for the country, as the price of food was rising and would certainly continue to do so. In the eleventh edition (1910) I showed that already the price of foreign wheat had risen (1909) to 39s. a quarter as compared with the 30s. of 1904, and that nationalization "would put us in possession at an absurdly low price of the opportunity to re-create our social structure and the means to dispense with all taxation in the time to come."

Even if the war had not come we should have missed a tremendous opportunity, but the war has had consequences that would have made the nationalization of land before the war an asset which would have relieved British Chancellors of the Exchequer of all anxiety. Fortunately the case is not one of the Sybilline Books; still opportunity offers. As time goes on, our home supplies of food will become increasingly important, and from every point of view it is necessary to regard every acre of British soil as a precious commodity.[1]

permission of the Ministry of Health, which fortunately was not withheld (April, 1920), but how absurd it is that while a private individual is free to run a sham hospital for private profit, a great city should have to seek powers to establish a true hospital for the public good.

[1] On the question of the finance of land nationalization, the Land Nationalization Society points out three methods of purchase which would result in exactly the same cost to the State whichever were adopted. The example is that of a property the agreed value of which is £1,000:

(*a*) Payment in £1,000 of Government "Land Bonds" bearing interest at the rate of 4½ per cent. per annum (payable half-yearly), repayable at par by an annual sinking fund of 5s. per £100 bond, which will suffice to pay off the loan in its entirety in sixty-seven years.

(*b*) Thirty annual payments of £63 4s.; and then no further compensation.

(*c*) Forty annual payments of £56 6s., and then no further compensation.

The State would immediately secure a rental equivalent to at least the amount of interest payable and much more as development proceeded.

On this question of the methods of land nationalization, a valued correspondent of mine, himself both an enlightened landowner and scientific farmer, wrote me in 1916 as follows:

"Why not the Australian method of State resumption? There, where the land is concentrated in estates of unwieldy size, and with farms too large from the national point of view, the Board of Agriculture steps in and

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The matter of securing British food supplies would be simplified but not settled by land nationalization. There remains the all-important question of maintaining imports. This should be the proper function of a permanent Food Ministry, or of the Food Executive of a Ministry of Supplies dealing with both foods and materials. Such a Ministry, or such a Department of a Ministry, would be charged with the important functions of maintaining those supplies of food and materials without which the British economic system would break down. On the one hand the Food Executive would be in touch with a Food Production Department, and, on the other hand, it would be in constant council with the Governments of British Colonies and Dependencies and of foreign countries. This matter is dealt with at greater length in a succeeding chapter.

A relatively small, but nevertheless urgent, matter of exceeding importance is the milk supply. The case here for national and municipal organization is overwhelming. Milk, a superb food of perfect proportions, which, as our sophisticated minds can only too easily forget, is in a state of nature never exposed to the air, is a perfect cultural ground for the germs of disease. It is produced and distributed under conditions which are a reproach to a scientific age; contaminated milk kills thousands of infants every year. We have no ex-

tells the owner he must give up his land. The Board arranges to pay him in national scrip, redeemable in twenty-five years. The Board then hands the area over to the Land Settlement Department—this is an important feature—for it removes the management of the land from the control of the Minister of Agriculture, who goes out with his party.

"The Settlement Department deals with the sitting tenants, readjusts the size of the farms, and places new holders on the area. The farmers pay an annual sum representing rental and apportionment of a twenty-five-year sinking fund. At the end of twenty-five years a fund has accumulated sufficient to redeem the scrip held by the original owner. The whole operation costs the Treasury not one penny. During the process of paying the Settlement Department has the ever-increasing sinking fund, which it utilizes to create credit banks, etc. I expect you know all this, but why should not this system apply in this country? Of course, in Australia the new farmers become owners—which on the whole I would prefer, but if the Government is firmly opposed to this, it would still be possible *without* making the annual charges too high (considering the new condition to be created) for the farmer to pay the sinking fund, and in the end let the State land be owned by the State, as is the case under the present Small Holdings Act. In regard to the landowner, his *net* income should be ascertained, and he should be given such a sum as would, invested at 4 per cent., give him a similar income. Further, I feel very strongly that any landowners who are prepared to farm scientifically themselves should be allowed to retain a certain area, as in Denmark."

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cuse for not knowing this, and none whatever for not bringing to an end private traffic in a commodity which cannot safely be entrusted to commercial methods.[1]

To make the entire food supply, in all its stages, a public service, would be a matter of small difficulty and great gain. The waste of the present system is very serious, and became apparent to all our Food Controllers. Mr. G. H. Roberts, M.P., the fourth Food Controller, has pointed out to what a "scandalous extent" the incomes of the people pay tribute to the food middleman.[2] Oranges, for example, are handled by about half a dozen more trades than are necessary during their journey from Spain to the London fruit-shop. The between-agents, and not the grower, present a big bill to the final purchaser, and change an absurdly cheap article into a luxury. This is true both of foreign and home productions. Before the war Mr. Christopher Turnor estimated the middlemen's profits on milk as 100 to 120 per cent.; on small fruit as 100 to 150 per cent.; and on peas, beans, carrots, etc., as from 100 to 180 per cent. Mr. G. H. Roberts tells us that the fruit baskets of the dealers are made to play a part which reminds us of the comic adventures of the privately owned railway trucks. It appears that the fruit baskets of each firm bear the firm's own registered trade mark, and by mutual agreement the baskets of one grower must be strictly reserved for use in that centre where his business is done. If, therefore, there is a glut of apples at A and a shortage at B, the glut cannot be used to relieve the shortage unless there happens to be at A, in addition to too many apples, sufficient of the baskets of firms at B. Mr. Roberts observes on this: "Surely the common sense of a practical nation should refuse to tolerate mumbo-jumbo nonsense of this description." But what is the nation to do under existing circumstances? The nation is run by the interests which are vested in the ten thousand economic absurdities which waste and degrade labour, hold up commodities and frustrate production, and which use the Press to tell the people that it is Government

[1] In The Milk and Dairies Bill, 1920, is a clause empowering any local sanitary authority to supply and distribute milk by a scheme approved by the Ministry of Health. This is excellent as far as it goes.

[2] London *Evening News*, July 15, 1920.

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Departments which waste money and private enterprise which creates wealth.

Sir Arthur Conan Doyle drew attention in the Press in 1919 to what he called the monstrous condition of affairs in the market garden industry which supplies London with most of its vegetables. He showed what huge profits were being made by the middlemen: "What the wholesale dealer buys for 1d. or 1½d. he passes on again at 3d. or 4d." Sir Arthur went on to say that, if it is pleaded that the expenses of the market cause such inflation, "Covent Garden should itself be abolished and a Government market established." Of course it should. I often wonder that, as some part of this particular evil is open to the light of day, it escapes the observation of the public. Let Covent Garden market and the stalls that surround it be examined. It is a picture of extravagant waste beyond the power of words to exaggerate. It is pitiful to see bundles of vegetables wilting amidst the squalid disorder—deteriorating even while their price is rising hand over hand. Sir Arthur Conan Doyle says that "a few clean-run British officers with plenary powers would very soon set things right." It may be added that a group of boy scouts could be trusted to make a more economic organization than that which now plays ducks and drakes with the fruit and vegetables of London.

Mr. McCurdy, our fifth Food Controller, has expressed himself very strongly on this subject. Speaking of the high price of fruit and vegetables (July, 1920), he pointed to the present distributive system as the root cause of the trouble. As chairman of the Departmental Committee on the Wholesale Food Imports of London, he could hardly fail to be impressed by the muddle and waste of the existing system. I quote some of his statements because of the authority which attaches to his utterances in view of his special sources of information:

"I have time and again been impressed by the complexity of the methods by which we achieve so simple an operation as bringing, say, a cauliflower from the grower in Kent to the housewife at Golders Green. Every one of the ten million packages of fruit imported yearly into London is taken once or twice across the heart of London at an appreciable and, in

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the majority of cases, an unnecessary, expense. There is, roughly, an average of 974 tons of fruit and vegetables carted into the London markets and out of them every day either for other markets in the circle of Greater London or to rail stations for towns in every corner of the United Kingdom. I am not surprised at the story heard the other day of a housewife who was paying sevenpence a bunch for radishes sold by the grower at three farthings within twenty miles of her kitchen."

Mr. McCurdy sees the nature of the evil quite plainly, as he could hardly fail to do, but what has he to say by way of remedy? "In theory," he says, "there is, of course, no reason why the Ministry of Food should not create the necessary machinery. We might reorganize industry on sound business lines, and compel individual traders to fall into line, but that cannot be done in Great Britain." It is plain, therefore, that the Food Controller of July, 1920, sees the remedy as clearly as the disease, but he has the misfortune to face circumstances in which "sound business lines" are not for him.

As has been indicated, the scientific control of imports of raw materials is not less important than the organization of food supplies. The shortage of cotton is an outstanding example of the results of neglect. In 1920 every citizen of the United Kingdom is paying a heavy fine for past neglect of the magnificent possibilities of cotton-growing which have always existed in the British Empire. It is not generally realized that the cotton plant is not indigenous in the south of the United States, from which we derive the bulk of our present supply, and that, if we had cared to do so, we could have developed in the British Empire a cotton area superior to that now possessed by America. The Manchester school left Manchester short of cotton.

And let it be added, for it is true, that when we neglect the development of the British Empire we are neglecting a world heritage for which we are answerable to the world at large, every part of which suffers by the neglect of any of its parts.

In considering housing, it was remarked that it was essential to take over the great combines dealing with building

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materials. The public welfare demands the nationalization of all monopolies and quasi-monopolies controlling commodities of importance, from soap to sewing-cotton. The form of these concerns makes their nationalization a matter of no difficulty. Those who made them builded greater than they knew.

Insurance is an industry which will ultimately disappear through (1) Nationalization, which effects automatic insurance by nationally pooling risks, as in the case of the Royal Navy; and (2) the extension of indemnity against common personal risks. In the meantime, insurance of all kinds should be in the hands of the State. The present insurance concerns, with their thousands of palaces and offices, and armies of competitive officials, are exceedingly wasteful. In Australia the State insurance experiments have been triumphantly successful. Thus, in Queensland the State took over workmen's compensation insurance and, as a result, is actually giving double the benefits for the same premiums.

Nor can this brief and broad review of urgent economic needs be brought fitly to a close without some reference to the individual factor. We shall come presently to the consideration of the psychology of work and the relations of working men to working institutions. Here it is necessary to say that in a world which yearly grows more dependent upon scientific aid and scientific method, it is criminal to leave our people without a scientific education. We can take no pride in, and never obtain a full increment of wealth from, a great population engaged clumsily upon scientific processes which it does not understand. It is a sad thing to find an "electrician" working by rule-of-thumb without knowledge of electricity. It is worse to find a captain of industry, without scientific knowledge, attempting to buy brain power as though it were inert raw material. Our people, whether masters or men, and however grouped or disposed in institutions good or bad, cannot do their best without entering into the glorious heritage of acquired knowledge which science has given us.

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CHAPTER XIII

THE NATIONAL AND THE INTERNATIONAL

§ 1: World Economy and the League of Nations

ALTHOUGH the League of Nations is primarily an institution for the prevention of war, its Articles make specific reference to the promotion of humane labour laws; all international bureaux or commissions *in esse* may by consent be placed under its direction; and all such bodies *in posse* are automatically to come within its governance; further, the League may collect and distribute information on any subject of international interest regulated by general conventions, but not under the control of international commissions.

Great possibilities of world development lie in these provisions.

The world is being wasted by its people, and its leading civilizations are the chiefest agents of waste. It is not less important to unite the nations for mutual economic aid than for the keeping of the world's peace. Indeed, a proper realization of the economic interdependence of nations and of the grave possibilities of famine may do much to prevent war.

The greater part of the world's natural resources is at present resigned to the exploitation of irresponsible private adventurers. Coal, mineral oil, virgin fertility, forests, metals, minerals—all alike are for the greater part in the possession of private powers, or loosely leased to such powers for development.

The chief characteristic of all such exploitation is its profligacy; its motto: "What has posterity done for us?" The squandering of the best supplies is proceeding at a rate which threatens the world with famine in respect of many materials of primary importance. Nor is the danger one which concerns a remote future; in the lifetime of many of those who

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read these lines serious shortage will arise in a number of products unless science finds means to rescue us from the consequences of commercial waste.

Conservation and wise development—these are not to be expected of the commercial adventurer. For him it is enough to despoil the forest; to cream the mine; to pass on to fresh fields of immediate profit. It is no one's business to interfere. In America Mr. Roosevelt established a National Conservation Commission, but it was defeated by technical forms, and its work has been taken up by a voluntary body which can only plead where a Government should command.

In the field of organic production there is much to do. In 1920 the world's cereal production is expected to be poor. The crops are inadequate for the world's bread-eaters. *Expected to be poor!*

So little wisdom has the world yet learned that it is content to take note of the extent of its cereal acreage after private individuals have elected to do much or little to contribute to it. We gravely collect information as to what has been done to feed us by private irresponsible unco-ordinated unorganized agencies and then announce to all whom it may concern that the position is serious, for by so many millions of acres the world is short of the crops it needs.

Consider the position of our Food Controller. On May 6, 1920, he declared, upon information received:

"The United States of America will have 4,000,000 tons less to export (in the cereal year August, 1920—July, 1921, that is) than in the current cereal year (August, 1919—July, 1920). There is a reduced production in the Argentine; there is a large fall in the supplies of Australian wheat; in fact, the only wheat-producing country in the world in which there is any increase is in India, where there is an increase of something like 1,500,000 tons, which will not be wholly, or to any large extent, available for export."

Truly a serious outlook. Let us consider whether such emergencies need ever arise.

In a world governed on principles of mutual aid, the statistical department of the League of Nations would prepare annually, with the aid of each constituent Government, an

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estimate of cereal needs. Taking counsel together as to these needs, the representatives of the nations upon the League's Food Executive could inquire how best to satisfy the requirements of importing countries. A scheme of adequate world production could be arranged—*if each Government was in a position to control its own economic development.* That condition precedent is so important that it is well at this point to return to the experience of war and what it teaches us of world-wide possibilities.

§ 2: Inter-Allied Economic Action

The war would have been badly lost by the Allies if they had not taken joint economic action. Such action began with the formation of the Commission Internationale de Ravitaillement (familiarly the C.I.R.) which was set up in the early days of the war to prevent competition in buying by France and ourselves; subsequently this body included the other European Allies. It did good work in the economic purchasing of boots and clothing and other supplies for the Allied troops.

Early in the war, too, the blockade was made a matter of inter-Allied conference and action.

At the end of 1915 it was found necessary to make inter-Allied purchases of wheat and maize. In December, 1916, a formal "Wheat Executive" was set up, upon which Britain, France and Italy were represented, to buy cereals in common, to allocate supplies out of the pool, and to arrange for the necessary transport. The great success of this work led to its extension to meat and animal fats, oleaginous produce, sugar, nitrates and petroleum; separate purchasing and pooling bodies dealing with each of these things.

In all these matters, as time went on, tonnage became a vital and deciding factor. As the submarines reduced the Allied shipping, the difficulties of supply increased. The chartering of mutual shipping was pooled early in 1917 and controlled by an inter-Allied committee meeting at the Ministry of Shipping.

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Later it became clear that a better organization of the Allied dispositions was necessary. With every week that passed tonnage diminished while the demands upon it increased.

The Allied Maritime Transport Council was accordingly organized in March, 1918, to co-ordinate all the demands of the European Allies and to relate them to the tonnage available. It was a matter of cutting the supplies according to the ships which served to carry them. In effect the Allied Maritime Transport Council performed for the Allies as a whole the work which the Tonnage Priority Committee did for British supplies (page 88).

The Allied Maritime Transport Council (whose members were Allied Ministers) worked through an Executive Committee (whose members were the Allied Ministers' departmental representatives), under which Sub-Committees dealing respectively with tonnage and imports received and digested the reports of National Executive Committees.

The Council was in liaison with a body known as the Inter-Allied Council for War Purchase and Finance, which dealt with American supplies under an American chairman. The importance of this will be realized when it is remembered how great a part the American supplies, secured by the Atlantic concentration of shipping, played in the last two years of the war (page 85).

The various import needs of the Allies were put up to the Allied Maritime Council by

(*a*) The Inter-Allied Food Council, consisting of the four Food Controllers, and co-ordinating the Executives dealing with wheat, meat and animal fats, sugar and oleaginous produce.

(*b*) The Munitions Council, consisting of the various Ministers of Munitions with an American representative, co-ordinating the work of seven "Programme Committees," each dealing with a branch of munitions supply.

(*c*) Certain other Programme Committees, dealing with supplies other than food or munitions, such as coal, cotton, wool, flax, hemp and jute, timber, hides, mineral oil, paper and tobacco.

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In the accompanying diagram the scheme is clearly outlined.[1]

So programmes of requirements were drawn up with due regard to national production and stocks, and submitted to the Allied Maritime Transport Council's Executive, to be weighed, co-ordinated, and adjusted to the tonnage position.

In the fall of 1918 very serious decisions had to be arrived at. The collapse of Germany and Austria made it unnecessary to administer the hardships which another year of warfare would have inevitably imposed upon the Allies, and the Transport Council came to an end, although in dissolution its work and its personnel were of assistance to the Supreme Economic Council, which will in its turn soon dissolve.

The relevance of this vitally important (but little known or understood) war work to the subject of world-economy will appear. It is true that the Transport Council—child of the British Ministry of Shipping—was an inter-Allied and not an international organization. True also it is that it pooled not the world at large but four nations spurred to action by common and imminent danger. Nevertheless the possibility of economic union in circumstances of grave difficulty was demonstrated. It was impossible to take part in such work without feeling that, sooner or later, in circumstances of peace, men of a more fortunate day would meet in counsel not to pool supplies in face of a common enemy, but to further the whole world's economic development.

§ 3: National Organization the Condition Precedent

But international economic organization cannot be served until national organization has taken place. If in the war the Allies were able to take joint economic action and to pool resources for mutual aid, it was because the Allies had taken charge of their respective economies. Mr. J. L. Garvin, in a

[1] The chief organizer of the Allied Maritime Transport Council was a civil servant, Mr. J. A. Salter, Director of Requisitioning to the Ministry of Shipping. His work was of great importance to the Allied cause, and all his colleagues and friends rejoiced when, after the close of the war, he was appointed Secretary-General to the Reparations Commission.

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ALLIED COUNCIL FOR WAR PURCHASE AND FINANCE

g solely with the important American supplies)

ommittees
heous)

Cotton, Wool,
and Jute,
and Leather,
Tobacco.

TONNAGE PRIORITY COMMITTEE
(Ministry of Shipping)
Adjusting British Demands *inter se*; this Organization predated the A. M. T. C. by some thirteen months.

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thoughtful and suggestive work,[1] has dared to dream of "world partnership as the truer basis of the League of Nations," but *the world cannot achieve an economic federation until its components have each achieved National organization.* No economic partnership is possible between nations, each with its traders carrying on internecine warfare, owning no allegiance to authority, and producing or distributing without plan, measurement, or co-ordination.

Let us now resume the consideration of the case of the postulated Food Executive of a League of Nations taking measures to ensure the supply of the world's bread (page 238). We saw that a sufficient world output could be arranged *if each Government controlled its own economic development.*

Given such control, the Executive could allocate wheat acreage throughout the world, allowing for a proper margin for contingencies. Each Government represented could be in a position to undertake to put so much land under corn. A balance of export and import could be arrived at. The world would get its needed bread, without fear of failure. It would no longer be possible for a Food Minister to announce, *after a year's sowing*, that owing to an inadequate wheat acreage a partial famine in bread was in sight, as though man were not, in the matter of corn, master of his own fate.

There are doubtless some who will dismiss such conceptions as dreams. Dreams they may be, but not idle ones. Rather—

> Such dreams as, waking from, a man shall move
> To high emprise until his dreams come true.

§ 4: Inter-Imperial Conservation, Development and Supply

But plans for the conservation of supplies and for the enabling of commerce need not, for us, wait upon the development of the League of Nations. The British Empire consists of one-fifth of the world's finest land, and one-fourth of the world's people. It need no longer resign Imperial economic

[1] "The Economic Foundations of the Peace."

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development to the private speculator. Let us consider what has been and what may be done.

A first collection of Imperial statistics was published by the Board of Trade in 1905, but not until 1911 was any serious attempt made to take stock of the Empire as an economic whole. Then, on the motion of the late Sir Wilfrid Laurier, at the Imperial Conference, a Royal Commission was set up to investigate and report upon the natural resources of the Empire, "the development attained and attainable, and the facilities for production, manufacture and distribution, the trade of each part with the others, and with the outside world, the food and raw material requirements of each, and the sources thereof available." The Commission has published reports of unequal value which have had small attention.

As for the development of Imperial products and their exchange, such things were resigned entirely to the private speculator. Take, for example, the remarkable case of West African oleaginous produce as it existed before the war. We possessed extensive colonies protected at the expense of the British taxpayer. We left the exploitation of the produce of the colonies to haphazard effort. The private trader could be enterprising or not enterprising, as it pleased him, and we were content to pay the bill. In fact it was the German private trader who proved to possess the most enterprise in this connexion. German citizens waxed fat on the edible nuts which British citizens found it too much trouble to deal with. In the year before the war, of 430,000 tons of vegetable oils and oil nuts exported from British West Africa, as many as 227,000 tons were exported to Germany, and only 129,000 tons went to Britain. Germany and Holland developed enormous margarine industries based on British produce. The Dutch manufacturers found a splendid market for margarine in the United Kingdom. Here was economic circumlocution with a vengeance.

Thus also with the nickel of Canada. At the Restriction of Enemy's Supplies (Blockade) Committee, early in the war, we found ourselves confronted with the fact that the nickel supplies of Canada were mainly exploited over the border, in the United States of America. As nickel was a war material of primary importance, this was very unfortunate for us—a

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typical and alarming instance of the results of *laissez faire*. Similarly with the zinc concentrates of Australia, which had been shipped off to Germany under a contract which would not expire for many years after the war, to confirm the German monopoly of the spelter trade. So again I found myself on the Blockade Committee studying, with others, how to atone suddenly in time of war for an economic neglect of the first magnitude. The British Empire, covering one-fifth of the world's land, actually had not a zinc industry worth mentioning, and was hard put to it to find material to make cartridge cases!

Whether in peace or in war it is both dangerous and wasteful to abandon Imperial conservation and trade to private hands. We need concerted Imperial action to make use of the best brains of the Empire; to secure alike the full development and conservation of Imperial resources and the greatest economy in the interchange of products.

For example, to return to the illustration of the palm kernels of West Africa, it is not in the best interests of the natives of West Africa, or of the good government of the colonies, or of the ultimate consumer of vegetable oil or margarine, that either the collection of the easily won produce, or its shipment to the place of use, should be resigned to private enterprise. A sane method of Imperial organization would be for a properly equipped department of the local government to organize the collection of the produce with due regard to the welfare of our native subjects. Such of the produce as was needed in the United Kingdom would be dealt with by an Imperial authority without the intervention of a single middleman, and go straight to its place of use without traffic.

With a self-governing colony like Australia or New Zealand, inter-Imperial bargains could be made between expert commissions set up for the purpose by the home and colonial Governments. In the case of wheat, a British "Wheat Executive" would buy up entire crops as it did in the war. The wheat would come home without the intervention of middlemen, and all improper manipulation would be prevented. It would be dealt with on the grand scale and passed on to its places of use. As it is most important to

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have a national milling industry and municipal bakeries, there could be further great economies. Even with these trades in private hands, however, the wheat could be handed out to millers at an agreed price, the milling trade in its turn selling its product at an agreed price to the bakers' federations, and the latter again producing bread of guaranteed quality with a fixed margin of profit.

Simultaneously, the home production of wheat here would be bought up by the Wheat Executive at such a price as to give fair remuneration, while County Agricultural Committees, as in the war, would determine a proper quota of wheat acreage for each county. The National Wheat Executive, deriving its wheat from different sources at different prices, would deal with them in such fashion that the ultimate consumer of bread would be secured in the lowest price possible as a resultant of the averaging of many different supplies.

Such a policy would do much to save us from grave shortages which are only too likely to arise; the greatest degree of safety, however, could only be secured by such a world-wide policy of development and exchange as has been already described.

As with wheat, so, *mutatis mutandis*, with wool, meat, tea, metals, etc. Bulk transactions would give not only security but the greatest degree of economy, because of the simplicity of large-scale action. The grasp of Imperial products in bulk commenced in the war. It must extend until commerce has gained a new meaning. It is high time that we won out of methods of Imperial traffic carried on by the petty machinery of individuals, who have made no advance in method upon the transactions of the thirteenth century.

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CHAPTER XIV

OF ORDERS AND FREEDOMS

§ 1 : Of the Word Nationalization

IN the first page of his "Principles" (1848) John Stuart Mill remarked, and was properly castigated by Ruskin in "Munera Pulveris" for remarking, that "Everyone has a notion sufficiently correct for common purposes of what is meant by wealth." It is sometimes said that the term "Nationalization," which has appeared so frequently in these pages, is vague, and that by it different people mean different things. As to that it may be observed that at least one would be more justified in saying of Nationalization that "everyone has a notion sufficiently correct for common purposes of what is meant" by it than Mill was of his subject matter—if it be the subject matter, for even that is disputed—of political economy.

The blameless dictionary says that to Nationalize is to "make National," and there is nothing vague about that. Its meaning is as clear as it is impeccably respectable. It is perfectly true that Nationalization has taken many forms and may take many more. For that very reason it is the better word, since it expresses no doctrinaire conception of any specific social or industrial form. It ought not to cover any such form, or to be interpreted to describe exclusively any existing or projected institution. Science, which has already taught us much, is destined to teach us much more, and if we are wise we shall ever be prepared to mould our institutions and conceptions of social and industrial possibility in the light of acquired knowledge. It is just because our institutions so far have not paid sufficient respect to science, that they fail to yield a proper fruition. It was just because Adam Smith did not know what science had in store for capital undertakings, that he denounced joint-stock companies

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as impossible in a sane industrial order. Those, therefore, who devise or design social or industrial institutions as perfect or unalterable expressions of economic wisdom or possibility, are seeking to apply to conditions which are always changing the necessarily imperfect knowledge of a period of human transition. For example, the discovery of how to use atomic energy would sweep away coal-mining and probably make much of factory life happily obsolete.

The term Nationalization is useful because the nation is an existing and convenient economic unit, and because it is our duty to ourselves and to the world at large to make the best possible use of that unit. In so far as the term covers a multitude of methods and plans, it has virtue for another reason—that in our own day and generation industries are unequally advanced, and demand, on that account, varying forms of organization. Again, industries differ inherently in character, so that what are good rules for one industry are not necessarily good rules for another. Moreover, if we bring any industry within the ambit of public ownership, there is usually more than one way of conducting it with advantage. Thus, if we take the familiar illustration of the railway, the nationalization of railways in Denmark, Prussia, Sweden, Italy, Australia, Canada, has taken many forms of considerable variation in detail, but has been none the less successful on that account. Equally with municipal institutions, the practice of Municipal Socialism, which controls thousands of millions of pounds' worth of capital throughout the world at this time (1920), takes on a large variety of forms, and exhibits different forms in relation to the same subject of exploitation. It is well that this should be so, for out of the great variety of forms and experiments there arises an ever widening and improving body of practice and a truer science of industrial government. We may note the same variety of development and organization in the processes of Nature. Those who are tempted to fancy that there is only one good way of doing a good thing should observe the infinite variety of the results of the operation of natural law. The natural laws are both definite and immutable, but matter, whatever it may be, appears, whether in the inorganic or the organic, in a bewildering variety of forms. The reproduction

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of the species in the vegetable world, for example, is accomplished in a host of different ways, but the principle is always the same.[1]

Thus, also, with the sports of man. Cricket is a good game and football is a good game, and both of them are based upon the "thing of leather, round," but there the resemblance ends. Each game has its own formularies, devised to make the best of it, and the rules of neither are the worse for differing entirely from those of the other.

It is merely a confusion of counsel, therefore, either to set up some particular set of rules as a model of what industrial government ought finally to be, or, on the other hand, to attack some particular proposal for the national development of a specific industry at some particular period of scientific and social development, and to declare that it is inapplicable to industry at large.

Nationalization, in short, is a principle, and there is nothing vague whatever about its meaning. As for the application of the principle, there is, thank Heaven, room for much honest and legitimate difference of opinion.

§ 2 : Property—Proper and Improper

To nationalize is to take into public ownership and management. It does not follow that, because we think it desirable to nationalize some things, we must nationalize everything, any more than the desirability of making public law to deal with some things makes it necessarily desirable to enact laws to govern every action, or inaction, of mankind. As to the kinds of property which it is desirable to take into public ownership, we may make a general distinction between

[1] Queensland has a Socialist Government, which after winning power was confirmed in it at a second general election. It has published a remarkable account of its legislation in a book entitled "Socialism at Work." I quote the following from its preliminary chapter:

"Each (Socialist) undertaking is shaped to fit special circumstances and special requirements. A bold, yet cautious, policy of collective enterprise is being made successful because each problem is approached with an open-minded desire to first ascertain all the surrounding facts. Precisely the same means for increasing efficiency and economy cannot be adopted successfully in any two trades. The principles of Socialism can be applied only according to the individual facts of each industry."

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large-scale industrial plants, which can never in any true sense be in the possession of an individual person, and the articles of personal use, comfort, and enjoyment, which in the real and proper sense may be held as personal property by an individual.

This is not to say that, without exception, all things of the first class should be nationalized, either now or hereafter, or that some things in the second class should not be nationalized, either in the present or in the future. There is, however, a very clear and logical distinction between the two classes which is of very great practical use and value in helping us to clear ideas on the subject of property in its relation to social policy.

The literal meaning of property is: *that which is proper to a person; that which is one's own.* The many and increasing variety of things which come within this definition are the concern of Nationalization, not by way of taking them into public ownership, but by way of increasing indefinitely the individual possession of them. From the point of view of property, properly so-called, Nationalization sets no limit whatever to individual ownership. It desires to see every person well equipped with the comforts and conveniences, the implements and instruments, of civilized life. We go further and indict the individualistic control of modern industry because it has denied personal property worth estimation to the great majority of our people, despite the scientific facilities which exist to create such property in overwhelming quantities.

About 700,000 persons die every year in this country, leaving between them, according to the Inland Revenue authorities, about £300,000,000, but of this great sum no more than about £10,000,000 is left by about 600,000 of the deceased. Further, about 4,000 of the 700,000 leave £200,000,000, or two-thirds of the whole of the property bequeathed.[1]

But these revelations of the graduated Death Duties, accusing as they are, do not sufficiently illustrate the point here at issue. The Death Duty figures relate to all sorts of property, and not to what we have termed personal property in its proper, or literal, sense—*that which is proper to a*

[1] See the analysis in "Riches and Poverty," 1910, page 59.

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person; that which is one's own. The personal gear in the possession of the great mass of our people is of negligible value. Let the contents of poor and middling-poor houses be examined, or let the household removal of a poor or middling-poor family be watched. The contents of the majority of our ten million inhabited houses make an insignificant addition to any estimate of the national capital wealth, and as for the wardrobes of their inhabitants, the less said about them the better. The number of houses in the United Kingdom containing even a tiny library of books is exceedingly small. The number of first-class musical instruments in the country is at the most a few hundred thousand in a population of 47,000,000. The number of houses possessing good gardens is a very small percentage of the whole, although to provide a garden of a quarter of an acre for 10,000,000 houses would obviously absorb only 2,500,000 acres out of our total area of 80,000,000 acres. As for the houses themselves, the number which can be termed comfortable, beautiful and well-equipped homes in which a woman has the aid of adequate appliances, and in which there is a decent bathroom, is not more than one in forty.

If we pass on to consider the recreative side of life, then we find that the multitude almost entirely lack the gear of sport or of physical culture. In the lane in which I live there is an excellent school for the sons of the wealthy in which a limited number of boys are provided with well-equipped playgrounds of many acres, and any day one may witness the fortunate scholars, each of them the possessor of appropriate personal property, having a good time under the instruction of professional players. It happens that this same lane is a highway from the festering mean streets of North London to Hampstead Heath, and along it one sometimes encounters a few of the more adventurous children of the poor who are willing to face the long tramp from Islington or Holloway; often I meet near my home some poor urchin who has lost his way. To contrast these poor children outside the railings of Highgate School with those inside, as they stand and watch the games which they have never learned to play, is to understand the mockery of the assertion that men are born free and equal. It is perfectly true that Nature gives

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every child a fair start,[1] but the *property* conditions of Holloway and Islington are such that by the time the poor children of North London are old enough to go and watch the happy boys of Highgate School, they have been robbed of a great part of their birthright. Inside the railings, healthy well-built children whose educated accents are pleasant to hear; outside the railings, stunted, withered specimens of humanity lacking, at from ten to fourteen years of age, inches of height and pounds of weight which ought to have been theirs, with hair and teeth and eyes which too often betray marked physical deterioration, and whose voices, three hundred years after the Golden Age of English literature, show that they have been denied opportunity to acquire their own beautiful language. Cricket—the national game as it is humorously called—they have never properly played. Not one in a hundred of them has ever owned a decent cricket bat, or learned how to use one. They grow up, not to play games, or to possess the personal property necessary to the playing of games, but to be watchers of cricket or football, or to be mean participants in that sportless department of the sport of kings which is cherished by the popular Press.[2]

It is in view of considerations such as these that the policy of Nationalization appears as *a policy to promote the possession of personal property*. Under a scheme for the national organization of production, it would be of the essence of the matter to devote proper quantities of capital, and due allocations of labour, to the output of every sort and kind of property required for the personal maintenance, comfort, recreation, solace and culture of human beings, from houses to clothing, from furniture to cricket bats, from books to musical instruments. It would qualify and enlarge the value of these personal possessions by adding a proper output and maintenance of things which are of personal use but not conveniently of personal possession, such as parks, playing grounds, winter gardens, gymnasia, theatres, concert and lecture halls, club-houses, restaurants, picture palaces, danc-

[1] See again the verdict of science on this head, page 32.

[2] Cherished to such an extent that it has become difficult to buy an evening paper from a street vendor without being gratuitously informed that Jupiter has won the Plungers' Stakes or Brandyball the Diddlers' Handicap.

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ing halls, and so forth. Things, these, as remarkable for their small cost as for the dividends of health and pleasure and social content which they yield. For example, the cost of planting town and country with a glory of beautiful hardy flowering and fruit trees yielding a magnificent harvest of beauty and profit, could, given the establishment of State nurseries, be accomplished for the price of building annually a single war vessel.

We may now usefully contrast with the goods which are properly personal property the commodities which are inherently unsuitable for individual ownership.

While the tools of work were simple things, devised for and employed by individuals, they could be, and were, property in the true sense. Such tools, the spade, the plane, the saw, remain within the category of personal property, although they may also be employed in large collective or co-operative undertakings. The greater part of the industrial tools of to-day, however, are inherently impersonal things—things which have necessarily to be employed by groups or communities of persons working upon a suitable collection of machines and appliances duly co-ordinated to form a working industrial plant.

If we consider a cotton spinning mill, with its many huge expensive and diverse machines; or a boot or cycle factory with its minute division of labour between scores of different kinds of labour-saving appliances; or an ironworks with its gigantic blast furnaces; or an engineering shop with its machine tools; we see that property in its literal meaning has no relevance to such undertakings. No man can personally own a modern boot factory in the sense that all the complicated machines in it are *proper to his person, to be used by him;* it is impossible for a man to "possess" such an industrial plant.

And no man in his senses desires to own personally a complicated collection of machinery. He cannot himself do any justice to such ownership. He cannot work the machines, for to work them requires the skill of hundreds or thousands of workers. He certainly cannot desire to live with the machines; the necessary clatter of a calico shed, for example, is not a thing one desires to endure longer than one can help.

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To charge a man with the personal ownership of a railway from London to Bradford, or of a public sewer, or of a gas production plant, or of a coal mine, is to confer upon him an improper obligation.

The impossibility of individual ownership of industrial plants is, as we have observed in our study of joint-stock enterprise, recognized even in existing conditions. The majority of the industrial concerns of the country are owned impersonally in fractions by shareowners who, in many cases, are so entirely divorced from the undertakings to which their shares refer, that they have never seen them and never will see them. A man possessing £1,000 can instruct a stock-broker to purchase for him £1,000 worth of shares in a great industrial concern with a capital of £5,000,000. Having made the purchase, the buyer is the legal proprietor of a tiny fraction of the capital of an enormous business in the affairs of which he has, in practice, no voice whatever. So far from having it, or holding it, he has no business on the company's premises, and would be requested to walk out if he ventured into the factory door without a permit from a company official.

The groups of company owners are not even distinct. It is not that there is one group of persons owning collectively an ironworks, and another group of persons owning collectively a railway, and a third group owning collectively a line of ships. Analysis of shareholders' lists shows that the shareowner usually has his eggs in more than one basket. Not infrequently a shareowner owns fractions of scores of different undertakings, so that dividends come to him as the result of work done in many quarters of the country at once. Nearly all the shares in British companies are held by a group of a few hundred thousand people, a number as large, or as small, as we lost by emigration in a single year before the war without noticing the departure of the emigrants. This ill-distribution of shareowning, also illustrated by the facts which have been quoted from the Death Duty records, serves to accentuate the strange character of this sort of ownership.

Mr. Belloc, while acutely conscious of the evils of our capitalist society, contends that property in the means of pro-

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duction is necessary to the dignity of man.[1] If that is so, then we are a race without dignity, for the means of British production are as to nine-tenths owned by a relative handful of the population—a group so small that its disappearance would not sensibly affect the work of census enumeration. I cannot myself conceive how my dignity would be enhanced by consciousness of the possession of pieces of paper upon which were written such statements as that I was the proprietor of a hundred fully-paid shares of one pound each in a series of London tea-shops where they supply anæmic meals to girl clerks; or of fifty fully-paid shares of five pounds each in a works where they boil soap; or of £1,000 worth of stock in a railway which I am anxious and careful to avoid as much as possible. A sense of shameful obligation, and not of dignity, attaches to such ownerships. What Mr. Belloc means, of course, is clear, but his meaning has no relevance to property in the means of production as it exists to-day. He means that it adds to a man's dignity and sense of citizenship to own a decent home; to be in secure possession of a plot of land which he tills himself; to own a workshop where his own hand and brain may give expression to his individuality. Such forms of ownership, or virtual ownership, are in no way inconsistent with the public ownership of the large-scale means of production. We cannot tell whether they will always be desirable or desired. Take, for example, the question of house-ownership. We do not know whether people will ever desire to maintain individual small homes, or what, or if any, proportion of them may prefer to live, as some already live, in establishments where domestic work is collectively performed. What we do know is that as long as people desire to have separate homes and to be in actual possession of them, such a wish is directed to a perfectly legitimate form of personal ownership.[2] I suspect that as time goes on, people will probably not desire to be be saddled with the ownership of any particular dwelling; that they will much prefer to have the opportunity to change

[1] "The New Witness," June 7, 1917.

[2] The Socialist Government of Queensland builds houses for the people by direct labour or socialism, but it sells the houses to tenants by easy instalments.

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their place of residence more readily than is compatible with the private ownership of houses.

Private shareowning is seen to be, at the best, an exceedingly imperfect form of the collective ownership of capital. There must be collective ownership, for the nature of the modern instruments of production compels it in some shape. Nationalization would substitute for the co-operative ownership of the machines of industry by a group, or groups, of private persons, the collective ownership of the entire community.

Let us endeavour to state with precision the contrast between the two methods of capital ownership:

(*a*) Under the capitalist system the greater part of the capital of the country is in the legal ownership of a group of about 300,000 persons. These persons appoint, or consent to the self-appointment—the latter being the usual practical form which obtains—of, officials possessing organizing or technical ability who are responsible to the private individuals who select them, or who consent to their assumption of office.

(*b*) Under Nationalization the people as a whole function as equal owners of the instruments of production. As to the appointment of officials possessed of organizing or technical ability to control the means of production, the nation already possesses democratic forms of government, and can either avail itself of those forms or modify them in many ways that suggest themselves to secure at once good and capable control, while securing for the actual workers in any specific industry a real lot and part in its governance.

It is difficult to understand how it can be reasonably contended that under Nationalization it is not possible to work out many different forms of industrial organization and governance infinitely superior to the arbitrary, irresponsible and anti-social form in which the capitalist system is cast. And let it be observed that there is no question at issue, save in a small minority of cases, as between national enterprise and individual enterprise. Individual enterprise has already passed away; the individual captain of industry in our day can only act by scraping together, somehow or other, the

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money of other people, and by getting them, by some representation or other, to consent to his proceedings.[1]

§ 3: The Gifts of Organization—Opportunity

The essence of organization is that it makes the gifts of the few available for the many.

It may be a thought hardly agreeable to our personal pride, but it is very true that all the wealth-making ideas of any considerable value which have been discovered since the world began have been the work of relatively few men. We are commonly tempted to forget this and to take pride in ideas for which we are ourselves in no way responsible. We grow accustomed to the common use of contrivances and methods which were invented by geniuses, and we forget that, as far as we ourselves are concerned, the contrivances and methods would never have existed.

The germinal discoveries and inventions have been the work of a few thousand men, not of one nation but of all races; the main developments of the great ideas have been the work of a few ten thousands of men; even if we include the mass of minor inventions of any moment, it is probable that a few hundred thousands would include all the world names worth enumeration as considerable contributors to the world's stock of working ideas. The modern man loosely associates himself with the brain power which serves him and which he employs, forgetful of the fact that, as far as he is concerned, the steam engine, the electric light, the telephone, the railway, the steamship, would never have existed. His only contribution to these things, as a rule, is that he uses them badly. He has not, very often, a training which

[1] "For, mark well," says Professor Gide, of Paris University, in his "Principles," "the alternative lies, not as a rule between State enterprise and industrial enterprise, but between State enterprise and collective enterprise; and there is no apparent reason why the boards of administration of State enterprises—of the railways, for instance—should not be composed of as competent men as are those of the big railway companies. The engineers, in any case, are the same in both. State enterprise, no doubt, will not aim at profits, but provided it tries to satisfy the public, so much the better. The ideal of a good economic organization should be, not profit, but the satisfaction of wants."

See also the study of Officialism in Chapter X.

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gives him any intelligent knowledge of the scientific discoveries which serve him. He thumps the telephone; searches for a gas escape with a box of matches; and is quite unable to answer the intelligent questions of his own children concerning such things as a dynamo. Our educational methods leave the multitude of all classes without knowledge of the powers they possess. We suppress instead of developing the wonder of the child, who grows up without understanding either natural law or the work which science has done to control it. A locomotive is really not as wonderful as a flower, and an aeroplane is really not as remarkable as a bird. If the child of the city in 1920 understands neither locomotive nor flower, need we be surprised when we consider the kind of training which its brain receives? The object of education is two-fold: it is to impart knowledge of the discoveries and creations of the best brains that have ever lived, and to develop and lead out individual qualities. It can do a great deal with average material, and although genius is an exceptional gift, the fruit of genius can become the inheritance of all.

It is necessary to realize the exceptional quality of genius to understand the supreme necessity for organization. By organization we create an intelligent routine which properly exploits the ideas which those who use them have not the power to originate. Ten thousand men thoroughly working a great idea become, in working effect, what they are not in reality, ten thousand men of genius. A nation thoroughly organized for the production of wealth becomes, in effect, a nation in which the discoveries and inventions of dead and living geniuses are exercised to the greatest extent possible within the scope of the national resources. We have seen how, in war, genius was given a chance as never before because there was urgent need for munitions. Ideas were given a field of endeavour such as had never until then existed in our country. Men of great attainment, possessing scientific knowledge, were allowed to exercise their gifts upon a scale which had never before been conceived.

The specific charge against Capitalism in this connexion is that, even while it has neglected and abused science, it has multiplied occupations of a kind which may be designated as

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sham brain work. The armies of people engaged in the many unnecessary trades are actually known as "brain workers," although their occupations are in reality the denial of the proper use of brains. It is a melancholy thing when a clerk ruling up the ledger of a redundant mercantile concern is encouraged to consider his work to be "brain work" and, as such, superior to that of a bricklayer building a flue, or of a carpenter framing a roof.

The specific advantage of Nationalization in organization is that it affords the greatest opportunity to brains. In the first place it enables us to make the best possible use, on the largest possible scale, and therefore with the greatest economy, of the conceptions of the originators, whether dead or living, whether native or foreign. In the second place, it gives to the worker actually engaged in an industry the greatest measure of opportunity and the greatest scope for legitimate ambition. Thus, if we take as an example Mr. Justice Sankey's scheme for the Nationalization of the coal mines we see that a pitboy in England, or Wales, or Scotland, could by virtue of it have opportunity to proceed, first as member of a Pit Council, second by participation in local coal government through the District Council, and, third, by election to the National Mining Council, to highest honour in the State.

Thus also with new inventions. The present exploitation of inventions proceeds without method. If a man conceives a new idea he can patent it, but there is no means of experimenting in it save those which he can secure by persuading private persons to risk their money in doing so. The risk is, as a rule, very great, and consequently the inventor is hard put to it to find people who will give him a chance to experiment on a sufficient scale. Because this is so, inventions often hang fire for many years. Moreover, even when an invention is exploited, it not infrequently becomes the monopoly of a firm or of a concern which clings to it until it expires, and uses it, not to the best advantage of the invention, but to give an individual character to the concern's production. Thus it often falls out that the best ideas connected with any particular appliance belong not to one firm, but are scattered over a number of firms, so that no single

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one of them can give the public the best sort of appliance. And this may go on indefinitely because, as the older patents expire, new ideas are thought of which again are distributed amongst a number of different firms. This is no small matter. Any inquirer who cares to visit a Trades Exhibition, and to compare the many kinds of appliances manufactured for any purpose, will discover it to be often true that there is *no best appliance* because of the scattering of ideas of which I have spoken. One production is superior in one patented device; another has a monopoly of a patent which gives it a special advantage in another respect. With a national organization such as the Navy, no such difficulty exists. We can combine in a single war vessel every idea of value that we can discover, and we do so. That is why a war vessel is a model of efficiency, like the State works at Gretna.

It is noteworthy that the consideration of economic factors on a national scale develops the human intellect by enlarging its conceptions. New and wonderful possibilities emerge as soon as we grasp the national scheme of things entire. This fact had much to do with the success of the national war work, and it accounts for the emergence of great organizers in State offices. As long as a man of ability has his sphere of work narrowly confined to the amount of business which can be controlled by £100,000 worth or £1,000,000 worth of capital, under conditions which compel him to work in a groove and which are incapable of precise measurement or estimation, he cannot give of his best. A large part of his time must be given to wrestling with difficulties which are inherent in his partial undertaking; to the wasteful solution of unnecessary problems which arise from the conditioning of his work in a competitive disorderly society. The same man, placed in a position where all the economic factors of the case are clearly before him, measured and defined, is rid of unnecessary labour and able to apply his ability to whatever of production or supply is necessary in the case. National organization means the simplification of control and the enlargement of organizing power.

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§ 4: The Gifts of Organization—Power

But to realize fully the necessity for Nationalization we must understand the wonderful possibilities of national organization.

Many concrete illustrations have been already given in these pages of what can be accomplished when power is taken to deal with national necessities on a national scale. Another may be given here which illustrates the waste of effort which we commonly tolerate. During the war the Ministry of Food had occasion to investigate the baking of bread in Great Britain. It was found that there were 44,000 baking establishments. Of these 44,000 bakeries as few as 4,000 baked four-fifths of the bread produced, so that as many as 40,000 bakeries made only one-fifth of the entire supply.

So wide was the variation of efficiency amongst these establishments that the cost of producing bread per sack of flour ranged from as little as 7s. to as much as 27s. It was also found that co-operative societies could make a profit upon a cost of 7s. per sack.

The wide variation in cost indicates, and in fact corresponds to, the difference between the healthy and proper making of bread in large-scale establishments and the unhealthy and inefficient making of bread in establishments which ought not to exist in the interests of public welfare.

It was found that in the conditions stated the nation could take over the entire 44,000 bakeries, continue to employ their proprietors and those who worked in them, guaranteeing them as good a living as they enjoyed, or a better one, and, by the establishment of proper machinery in well-equipped works, give the nation much better bread, on the whole, with a saving of from £12,000,000 to £20,000,000 per annum.

But this is by no means to choose an exceptional instance of the common waste. When the worst is said of the baking trade as it exists, it is, at any rate, a producing trade. The units are working, for the greater part, inefficiently, but they are working to purpose; they are producing something which ought to be, and must be, produced. Far otherwise is it with a host of other occupations which could be adduced.

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Industry and commerce are thick with unnecessary trades which, in some cases, are not only unnecessary but harmful; whose existence destroys wealth and creates disease. If we pass from bread-making to milk distribution, for example, we come to a case in which it is not merely a matter of the waste of an enormous amount of labour but the actual large-scale contamination of a magnificent food, with consequent destruction of life.

Or if we consider the existence of the gigantic outdoor advertising industry, we have the case of a trade which consumes an enormous amount of material of various sorts and which serves not so much to inform the public as to bewilder the minds of the beholders with a thousand conflicting notices relating to commodities, good, bad, and indifferent. The nobler the trade the less it appears on the advertising hoardings. The chief despoilers of the beauty of the countryside are the quacks, and so blind are we to the real meaning of the word wealth that we permit the loveliest of our scenery to be desecrated by notices relating to commodities the chief part of the cost of production of which is the vulgar advertisements which offend our eyes.[1]

The fact that a man appears in the Census returns as a producer does not tell us whether his production is efficient or desirable. The extraordinary statistics of employment already referred to (page 21), bad as they are, are an imperfect indication of the misemployment of our people and the disgraceful waste of invention and labour power. A miner gets coal to have that coal either partly wasted by inefficient employment in good and useful industry, or altogether wasted to produce power for the making of unnecessary or objectionable articles. The bricklayer works upon a useful wall, but it may be used to enclose, not a space devoted to necessary organization or the comforts of a home, but the altogether redundant offices of the ten-thousandth entrant into an unnecessary middleman trade.

[1] Just before the war a Select Committee on Patent Medicines presented to Parliament a scathing report on the subject. It costs only 3d. and should be bought by everyone who desires to understand what commercialism at its worst is capable of. The official number of the paper is 414 of 1914. A very useful treatise on the patent medicine trade is "Secret Remedies, What they Cost and What they Contain," published by the British Medical Association, 429, Strand, London, W.C. Price, 1s.

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It is true that in the first taking over of an industry which is inefficient and surrounded by redundant trades, we are compelled in proper regard for individuals to continue for some time unnecessary and wasteful employments. Nevertheless, as has just been shown in the case of the bread industry, we can, by organization, effect immediately a great economy, and, as time goes on, we can increase the economy as it becomes possible to use labour to increasing advantage; the natural growth of the industry absorbs the wasteful elements in useful work, and transforms them from non-producing into producing agents.

In as far as trust organization effects economies in labour power, not for the public good but for the benefit of a body of shareholders, the process is often an exceedingly cruel one. Take, for example, the too familiar case of the multiple shop company, driving into despair and bankruptcy the independent and respectable, if redundant, shopkeeper. I have had some very pitiful communications on this matter from men such as chemists who, after having spent a lifetime in a respectable and responsible profession, find their incomes raided by joint stock enterprise. The nationalization of the medical profession would absorb the pharmacies and raise the status of the professional chemist who is now degraded by commercial competition with the vendors of soaps and powder-puffs, and who is compelled, through newspaper and outdoor advertising, to stock and to sell quack medicines of a useless or even deleterious character.[1]

§ 5: The Gifts of Organization.—Freedom

If organization offers priceless gifts in the production of wealth and in the enlargement of human opportunity, it is no less remarkable for the degree of individual freedom which it offers in our time.

[1] Examples culled from the Report on the Select Committee on Patent Medicines:

"It never fails to cure cancerous ulcers, syphilis . . ."—Advt. of a quack mixture which cost 1.3d. and was sold for 2s. 9d.

"Cures Bright's disease."—Advt. of a quack mixture made of sugar only.

Qualified chemists have to stock such stuff as this or go out of business.

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We have seen the price of civilization to be continuous labour exercised in control of the laws of Nature. The conception of progress is sometimes challenged, and we are asked to consider whether it is really worth while to go on increasing the number of our wants, and consequently, the exertion of labour required to satisfy them. I have endeavoured to show that the pain and unfruitfulness of modern work are not the fault of science, but the fault of the degradation and abuse of science which arises from applying to its exploitation the mean incentive of individual profit. If the demonstration is accepted that the greater part of the work now done is wasted through abuse, it follows that in national organization lies the path to the plentiful satisfaction of human wants. And something more than that is true.

Given national organization, the powers at our disposal are so great that the requirements of a high universal standard of comfort can be secured in a very short working day. It is not a marginal saving of labour which we can make, but a gigantic saving. With the aid of the best known power appliances and the most up-to-date machinery and methods, there is no doubt whatever that the working power of the adult population could adequately sustain the entire community in a five-hour working day. Thus organization could set free the individual for the greater part of the day.

The importance of this consideration will appear when it is remembered that much of modern work is necessarily of a tedious description. It is the penalty of the use of clever machinery that it often creates monotonous employments. The shortening of the working hours in such employments is a matter of great social importance, but more than that is involved in these considerations.

It has been already pointed out that Nationalization does not necessarily involve universal Nationalization, even of productive or distributive work. It is not difficult to conceive that when, by organization, we reduce necessary working hours to five or six per day, we make it possible for the individual to engage himself, if he cares to do so, in occupations which become, in many cases, the means of recreation. Thus many individual crafts would come to be embroidered upon the main national organization for work.

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Another avenue of freedom would be opened in the change of occupation that would be possible in a properly organized society; there would be no difficulty in making arrangements for transfers from one industry to another, such as are rarely possible under existing conditions. Nor, as between organized States, would there be any insuperable difficulty in arranging for workers to proceed abroad either to take up permanent residence or by way of a temporary adventurous visit. It would only be a matter of opening registration offices for those desirous of making permanent or temporary changes. There is great scope for the widening of freedom in this respect; we are too apt, in talking of such matters, to treat the whole nation as though it enjoyed the freedom now possessed by the few who have what are called "independent" incomes; as things are, for the great majority there is no possibility of travel or of adventure.

The existing order of industry is justly denounced as incompatible with freedom, and those who seek to reform it are not unnaturally anxious that in any forms of industrial organization and governance which are established the greatest possible measure of human liberty and the greatest possible degree of individual expression shall be secured. Where, as in Queensland, a Labour Government is in power, the minds of the workers do not concern themselves so much with the element of industrial self-government. When the ordinary democratic forms are not under the control of vested interests, one can understand the workers in an industry being content with those forms as sufficient to give them in essence a true Industrial Democracy. In Britain, however, governing powers have so long bowed before vested interests, and vested interests have so well established themselves as the real government of the nation, that many of those who frame schemes of Nationalization are at particular pains to ensure the application of the principle of democratic industrial control. Moreover, and apart from this consideration, the principle that those working in an industry should play an effective part in the control of their work is inherently good and desirable. Pride in work and social responsibility in work cannot be hoped for unless the man who works has a real lot and part in his industry. There were some fine words

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in the Interim Report of the Coal Commission of 1919 [1] on this subject. Mr. Justice Sankey and three of his colleagues, respectively a steel manufacturer, an engineer, and a shipowner, said:

"It is in the interests of the country that the colliery worker shall in the future have an effective voice in the direction of the mine. For a generation the colliery worker has been educated socially and technically. The result is a great national asset. Why not use it?"

And if we turn to the Final Report of Mr. Justice Sankey, we see that he recommended the Government to put this principle into practice in each part of the national organization which he suggested. The mine, like a ship, is a thing where lives are not infrequently put to hazard. It demands, therefore, the captaincy of a responsible manager, who must be obeyed implicitly in the moment of danger. It is all for the good of the miners and the mine, however, that, as Mr. Justice Sankey recommends, the workers should elect a Pit Council, or Committee, to consult with the manager as to the general work of the mine. "The object of this part of the scheme," says Mr. Justice Sankey, "is to take advantage of the knowledge of the workers by allowing them to sit on the Councils for the purpose of advising the manager and to give them an effective voice in all questions where their own safety and health are concerned." [2]

Such an association is not, as some people lightly imagine, incompatible with a true discipline. A cricket eleven do not obey the captain because they are his paid subordinates, but because they respect his authority. Freedom and captaincy are compatible.

Mr. Justice Sankey's scheme also provides for the management of the coal-mining industry by districts, each district being governed by "a council of fourteen, upon which there is equal representation for the miners, for the consumers, and for the persons acquainted with the commercial and technical side of the industry." Here, again, the element

[1] Interim Report of the Coal Industry Commission, March 20, 1919 (Cmd. 84), par. xv.

[2] The number of casualties in our coal mines per annum is: Killed, about 1,400; wounded sufficiently to prevent working for seven days or upwards, about 160,000. The number of minor injuries is much greater.

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of democratic control plays its part. The miners themselves, through their trusted representatives, are offered an honourable part in directing the industry. The men working in the pits of the district can thus feel that they have an effective voice both in the mine itself and in the direction of the entire coalfield.

Finally, the Supreme National Mining Council, established to advise the Minister of Mines, is elected by the District Mining Councils, and its standing committee is to consist of eighteen members, of whom "six shall represent the workers, six shall represent consumers, and six the technical and commercial side of the industry."

Thus, the voice of the workers is made effective in the National Council as in the Pit and District Councils, and the working miner can rise, as he cannot now rise, to a position of great honour and responsibility in the State. Who that is unprejudiced could fail to prefer such a system to the prodigal processes which deny full opportunity to the mining engineer even as they deny industrial freedom to the worker, and which now waste the national substance? [1]

It is of no small interest that the *voice of the community* is also made effective in these proposals. The association of mining capitalists has squandered a large amount of money recently, on the hoardings and in the newspapers, in opposing Nationalization in advertisements in which the words are reiterated: "Nationalization—the Consumer Pays." As a matter of fact, the consumer, from the days of the beginning of the "limitation of the vend" down to the days of the Great War, was never allowed a word to say in defence of his interest in the matter. He had no more freedom than the miner in respect of coal. During and after the war the Government very properly took charge of coal prices, as we have seen, and by that control, as was admitted again and again by coal merchants and colliery proprietors at the Coal

[1] Unfortunately the mine owners found themselves unable to concede so much liberty to the miners. Giving evidence to the Coal Commission on behalf of the colliery proprietors, Lord Gainford said: "I am authorized to say, on behalf of the Mining Association, that if owners are not to be left complete executive control they will decline to accept the responsibility of carrying on the industry, and, though they regard nationalization as disastrous to the country, they feel they would in such event be driven to the only alternative—nationalization on fair terms."

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Commission, the consumer was saved, at a trifling cost, an enormous sum of money (page 123). The Sankey scheme is as much in the interests of the consumer as of the producer when it gives each of these the freedom of the coal trade.

The conception of Industrial Democracy need not divorce trade from trade, or erect trades as States within the State. The idea of a trade as a Guild or self-governing club may be so conceived as to ennoble its work and to create within it a sense of social responsibility to the community as a whole. It should not be forgotten, however, that modern methods of work are very different from those which the Guilds of Florence knew, and that scientific advance is so rapid that anything done to prevent the mutation of trades, or even their abolition, would be a great loss not only to the community at large, but to the Guild members as individuals. We suffer greatly under commercialism because industries do not react with sufficient speed to the new methods of the inventors; industries become crystallized in forms which make an existing routine of work superior to the interests of the community and an injury to those who practise them. It is a major mischief of the capitalist organization of Society that the capitalist trade is at every point tempted to regard itself as an independent interest with which the community, or the community's elected government, has no right to interfere. In reconstructing industry we can avoid the creation or perpetuation of vested interests. It would be better for all the citizens employed in an industry to own it in common, and to be put upon their honour to make it serve the community, than for the present forms of irresponsible ownership and management to continue, but we can do better than that.

We can vest ownership in the community at large, and we can give the Citizen—

(1) A direct and special part in the general governance and practical working of his own industry, and

(2) An indirect part in the general governance of all industries.

Under the first of these provisions the worker becomes a Guild Member, charged with honourable responsibility in his own craft. His sense of industrial freedom lies in the consciousness that what a free nation owns in common is

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administered by men of his own election, associated with community representatives, and that the management of the trade in detail is committed to the trade and to the honour of the trade.

Under the second provision the worker functions as Citizen, jointly responsible with others for the general good government of industry. His sense of free citizenship is enlarged. He is encouraged to regard his own trade not as supreme above all others, but as one essential factor in many contributing to his own and the general happiness and comfort.

A miner produces coal; a railwayman produces traffic services; each of these has direct interest in the conditions of his work and its technical excellence; each of these, again, is very nearly concerned in the work and progress of the other, and also in the building, textile, metal, wood-working, and other trades, which yield him the greater part of the comforts he enjoys. The Citizen is a consumer as well as a producer.

A man is or ought to be much more than a member of a Trade Guild engaged in producing coal or iron or soap. He is a Citizen, and as such should have an effective voice in general trade development, and not alone in the affairs of the work in which he is himself engaged. In such a form of management as that suggested by Mr. Justice Sankey for the Coal Industry, the community would be represented upon the central and district coal controls, and by so much the complete self-government of coal by coal workers would be the less. But, on the other hand, the coal worker, as a citizen, would by virtue of the same form of control—the precise detail is a proper matter for discussion—know that the conditions of movement on the railways would not be settled without the active participation in railway management of men standing for the general public interest in comfortable and convenient railways.

That does not mean that a community representative is to take part in the councils of an individual mine or in the management of an individual workshop—***unit management is for the trade itself.*** It means that the general conduct of the industry is a matter in which both the trade and the com-

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munity should join. Thus the proper reform of industrial life would confer a double privilege upon the individual worker. It would give him a direct voice in the ordering of his own trade and an indirect voice in all trades. It would help him to a sense of perspective and proportion in relation to his particular industry.

Whatever the steps we take in national reconstruction, our conceptions of industrial order, if they are to serve the legitimate aspirations of a new epoch, must have regard not merely to the satisfaction of material wants, important as they are, but to the consideration that man does not live by bread alone. The conditions of honourable employment must be created; such conditions are incompatible with the sale of a man's time under a wage system which excludes him from social responsibility for the processes or results of his labour, and which makes him a mechanical detail in an industrial plant owned by a scattered body of private irresponsible proprietors who know neither him nor each other. The capitalistic system has treated men as machines, without allowance for as much as costs of depreciation. The wreckage of the machines, being reported upon as never before in consequence of the war, appears in the statement that of every nine machines six are not in good order (page 30). The shameful record, after inadequate comment, has been thrust away out of sight, but the causes which produced it are still in active operation all over the country. We must not let the thing go on. War must be made upon the under-production, the ill-distribution, the unemployment, the physical deterioration, and the disease, which give us no more than three sound men in nine. And, happily, the scientific conditions of decency and order which spell release from poverty also spell freedom.

Through order alone is the greatest possible measure of freedom to be attained, and to be attained not for a caste but for all. Our existing civilization is an unscientific struggle in which we deprive ourselves of liberty through lack of organization. It is a profound mistake to suppose that, either in sport or in the business of life, happiness and freedom are to be found in playing a game without organization and without rules.

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It is the law of the game which makes cricket. In playing it we freely give obedience to strict rules, and win our freedom and pleasure out of them. We enjoy the game because we know that, if we are bowling, the batsman will not be allowed to appear with a bat fourteen inches wide and to plant it in front of the stumps. Equally, if batting, we know that we shall be bowled at, and that the bowler will not be allowed, in the name of individual enterprise, to run half-way down the pitch and throw the ball at us. Not until the economic processes are governed by similar conceptions of rational organization will the game of life be thoroughly well worth while. A game without rules is not cricket and not worth playing.

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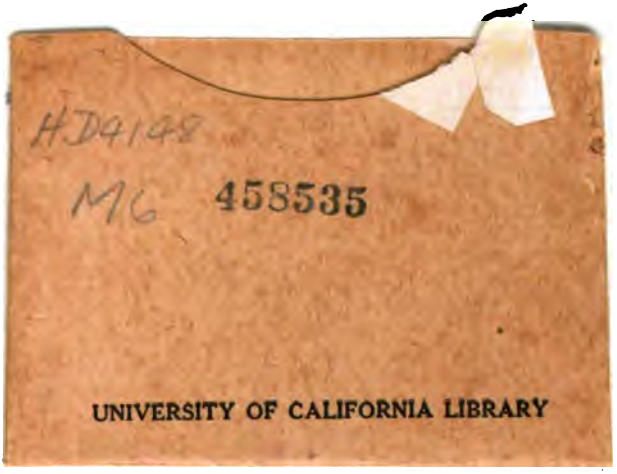
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